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REVIEW OF DEVELOPMENTS AND TRENDS IN THE MONETARY AND FINANCIAL SECTORS IN THE ESCWA REGION, 1989

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This study is prepared in implementation of programme element (1.1)-entitled "Review of Developments and Trends in the Monetary and Financial Sectors in the ESCWA Region", of the Commission's programme of work and priorities for 1990-1991 under Public Administration and Finance. It reviews trends in monetary and financial sectors in the ESCWA region.*/

*/ The ESCWA region comprises 13 countries, namely, Bahrain, Egypt, Iraq, Kuwait, Jordan, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, the Syrian Arab Republic and the United Arab Emirates. Democratic Yemen and Yemen declared their unity on 22 May 1990 and formed the Republic of Yemen.

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I. INTRODUCTION[1/]

The countries of the ESCWA region are entering the 1990s facing many challenges that have to be surmounted. These countries have to adjust their economies to cope with a more competitive and sophisticated world economy in which informatics, large economic blocs and new alignments will dominate the scene. The ESCWA countries need a resilient and appropriate policy mix with continuing follow-up, not just to face up to critical issues but also to deepen and widen their economic base and further their development.

The challenges facing the ESCWA countries differ between the oil-exporting members and the non-oil-exporting ones.[2/] The oil-exporting countries are expected to face better prospects during the 1990s. Despite the ups and downs in the oil market, it is believed that demand for oil will increase gradually through the 1990s with the share of ESCWA oil-exporting countries rising. A sustained and gradual increase in production and prices will brighten the prospects of this group of countries. Following years of falling oil revenues, huge budget deficits and reduced developmental expenditures, the Gulf Co-operation Council (GCC) countries may resume expenditures on development with greater emphasis on productive projects. In particular, these countries may undertake significant investments to increase their capacity to produce oil and gas in order to meet the expected rise in world demand. Indications are that they have already embarked on such ventures, especially in Saudi Arabia and Qatar.

Notwithstanding improved prospects, the GCC countries will have to continue rationalizing expenditures, encouraging the private sector, checking inflationary pressures resulting from increased government expenditures and concentrating on the development of the individual through reforming the educational and training systems.

The other ESCWA countries, comprising the countries of the Arab Cooperation Council (ACC)[3/], the Syrian Arab Republic and Lebanon, are facing tougher and more intricate problems. They still have to implement difficult structural adjustment policies to put their economies on the right track. They are still to reduce the ratio of budget deficit to GDP, through restraining government expenditures and raising domestic revenues, in order to reduce their debt burden. Substantial efforts need to be made to raise savings and promote investment. Structural measures are required to reduce distortions and remove rigidities that interfere with the efficient allocation of resources. The high inflation rates experienced by these countries will also have to be curbed.

1/ Iraq, which is a major oil exporter, Lebanon and Palestine, have not been included in this study owing to lack of data.

2/ ESCWA oil-exporting countries correspond, in the present context, to the GCC countries Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates as information is lacking for Iraq. The non-oil-exporting countries are the remaining members.

3/ The ACC is composed of Egypt, Iraq, Jordan, and the Republic of Yemen, which came into existence on 22 May 1990 with Democratic Yemen and Yemen declaring unity.

Both groups of ESCWA countries are pursuing policies that encourage the private sector to play a more vigorous role in the economy. However, they still have to create an environment favourable to private sector investment by adopting proper legislative, administrative and economic reforms. The near-completion of the physical infrastructure in some countries, especially the GCC countries and the stress on investing in human resources are important steps in the direction of achieving greater involvement on the part of the private sector in national economic activities. The improved economic conditions and prospects in the GCC countries may provide further impetus to the private sector in these countries. Yet, it is of equal importance to increase the efficiency of the public sector and its enterprises, while continuing to provide the "proper" incentives to the private sector.

Developments in the 1980s in the region have been reflected in disturbing trends in some important economic indicators, such as private and government final consumption expenditure, gross fixed capital formation and national savings. Whereas the ratio of gross fixed capital formation to GDP fell for the region as a whole from 24.2 percent in 1980 to 19.8 percent in 1988, that of government final consumption expenditure shot up from 17.6 percent in 1980 to almost 40 percent in 1988. This was compounded by an increase in private final consumption expenditures from about 33 percent of GDP to about 50 percent during the same period. National savings, consequently, underwent a dramatic decline[1/].

Although the changes in private and government final consumption expenditures, gross fixed capital formation and national savings were much more pronounced in the GCC countries, their implications were still very serious for the other countries in the region, most of which are challenged by serious debt problems, decreased foreign aid and critical economic conditions.

While the decline in the ratio of national savings to GDP was staggering in the GCC countries, It is still considered high compared to that in developing countries in general. Moreover, with the anticipated increase in government revenues during the 1990s, a moderate increase in the ratio can be still expected.

As concerns ESCWA non-oil-exporting countries, the low savings ratios combined with reduced gross fixed capital formation are expected to affect seriously the economic development prospects of these coutries during the coming years. The decline in the savings ratios (national savings/GDP) of ESCWA non-oil-exporting countries during the last decade was severe and much higher than that of the developing countries, in general. While in the latter the ratio dropped from around 23 percent in 1980 to an estimated 15 percent in 1988, the ratio in the ESCWA non-oil-exporting counries as a whole dropped from around 18 percent in 1980 to a mere 1.4 percent in 1988.

1/ See: Prices and Financial Statistics in the ESCWA Region, Eleventh issue, (ESCWA, Baghdad, 1989).

II. ESCWA OIL-EXPORTING COUNTRIES (GCC COUNTRIES)

A. General Remarks

The economies of the GCC countries witnessed in 1989 a revival from the preceding year owing to the increase in oil revenues which are the main stimulant of economic activities in these countries. In fact, economic performance in 1989 was the best achieved during the second half of the 1980s. GDP recorded growth rates, albeit moderate, that were significantly higher than those of previous years. Some estimates[1/] put Saudi Arabia's GDP growth rate at 3.2 per cent, that of Oman at 5 per cent and Kuwait at 4.5 per cent.

In their efforts to diversify national income sources, the GCC countries during the 1990s are paying more attention to investment in the industrial and services sectors. The main emphasis in the industrial sector is on petrochemicals, aluminium, plastics and other high-energy, capital-intensive industries where the GCC countries enjoy a compartive advantage. In the services sector, the focus is on banking, insurance and tourism.

Greater participation by the private sector in economic development is considered important in the GCC countries. With the basic infrastructure - the pre-requisite for private sector investment - in place, and financial resources available, the private sector has been encouraged to join efforts with the public sector in promoting economic development. Joint-venture partnerships with the public sector and tax holidays are further incentives being offered to the private sector to expand its activities in the home market.

B. Fiscal Developments

The fiscal standing of the GCC countries ameliorated during 1989 owing to the stabilization of the price of oil whose export represents the main source of government revenues. Preliminary data for 1989 indicate that actual government revenues were higher than budget estimates. Nothwithstanding this recovery, the GCC governments have maintained their policy of rationalization of expenditures. The axe of rationalization has consistently fallen more heavily on developmental expenditures, which are easier to curb, apparently, than current expenditures. Expenditures on defence have risen in most GCC countries, both in absolute terms and as a percentage of total budget expenditures.

Budget deficits first appeared in 1982 in Oman followed by Bahrain, Kuwait and the United Arab Emirates in 1983. By 1986 all GCC countries were incurring substantial deficits (see Annex table no. A-2). As a percentage of GDP, the deficits amounted to as much as 25 per cent in Oman in 1986 and Saudi Arabia in 1987 (see Annex table no. A-3). Financing budget deficits in the GCC countries was at first met by drawing on foreign reserves accumulated during the oil-boom era. Later on, resort was made to domestic borrowing, either directly from commercial banks as in the case of the United Arab Emirates, or through the issuance of treasury bills, notes and bonds, as in the case of Bahrain, Kuwait and Saudi Arabia.

1/ The Economist Intelligence Unit, various country reports, 1989.

C. Financial Aid

The drastic reduction in government oil revenues of the GCC countries during the 1980s has forced these countries to decrease sharply their aid to developing countries, including other ESCWA countries. Net transfer of bilateral aid from Saudi Arabia and Kuwait - the two main donors among GCC countries - fell from $ 6,822 billion in 1980 to $ 2,206 billion in 1988, as shown in Table 1 below.

Table 1. Net Transfer of Aid of Saudi Arabia and Kuwait, 1980,1985-1988
(millions of United States dollars)

	1980	1985	1986	1987	1988
Saudi Araiba	5,682	2,629	3,517	2,888	2,098
Kuwait	1,140	771	715	316	108
Total	6,822	3,400	4,232	3,204	2,206

Source: OECD, Co-operation pour le developpment dans les annees 1990, (Paris, 1989).

Multilateral aid flows also declined. As Table 2. shows, net transfer of aid of the four multilateral development finance institutions, in which the GCC countries have a majority in equity, dropped from $ 275.6 million in 1980 to around $ 60 million in 1988.

Table 2. Net Transfer of Aid of Major Multilateral Development Finance Institutions with GCC Majority in Equity, 1980, 1985-1988
(millions of United States dollars)

	1980	1985	1986	1987	1988
Arab fund for Economic and Social Development	72.8	40.7	72.5	77.2	83.7
Arab Bank for Economic Development in Africa	35.9	4.3	21.0	-1.3	-14.6
Islamic Development Bank	23.7	37.1	33.4	29.6	27.7
OPEC Fund	143.2	45.4	16.7	-32.7	-36.4
Total	275.6	127.5	143.6	72.8	60.3

Source: As in Table 1.

The drop in financial resources available to the major national development finance institutions, caused by the decrease in the respective allocation of government funds, has also led to a drastic fall in net transfer of aid from these institutions, as shown in the table 3 below.

Table 3. Net Transfer of Aid of Major GCC Development Finance Institutions, 1980,1985-1988
(millions of United States dollars)

	1980	1985	1986	1987	1988
Abu Dhabi fund for Arab Economic Development	135.5	29.2	50.2	4.4	6.3
Kuwait Fund for Arab Economic Development	357.0	311.3	321.6	99.2	-7.2
Saudi Fund for Development	491.3	97.7	190.0	142.2	42.8
Total	983.8	638.2	561.8	245.8	41.9

Source: As in Table 1.

Even though a large number of developing countries have benefited from the financial aid of GCC countries, the main beneficiaries remained in the ESCWA region, with concentration on three non-oil-exporting countries, namely the Syrian Arab Republic, Jordan and Yemen which absorbed over 30 per cent of the total in the period between 1980 and 1988, as shown in Table 4 below.

Table 4. Net Transfer of Aid of GCC Countries to Selected ESCWA Non-oil-Exporting Countries, 1980,1985-1988
(millions of United States dollars)

	1980	1985	1986	1987	1988
Total net transfer	7,353	3,530	4,342	3,227	2,218
Net transfer to Syria, Jordan and N. Yemen	3,107	1,165	1,172	1,111	0,301
% of total	42.3	33.0	27.0	34.4	13.6

Source: As in Table 1.

Although GCC financial aid, which is mainly concessional, has dropped significantly between 1980 and 1988, its share in these countries' GNP, though shrinking from 3.26 percent in 1980 to 0.86 percent in 1988, remains higher than that of any developed country and exceeds the 0.7 percent target set by the United Nations for the decade of the 1980s.

D. Monetary Developments

Money supply, in its narrow defenition (M1)[1/], underwent a decline in 1988 relative to 1987 in four out of the six GCC countries. Available data for 1989 indicate the persistence of negative growth rate of M1, though at a slower pace, for Kuwait, and a remarkable increase in Oman. The very low and in some cases negative growth rates of M1 since 1982, compared to the very high rates that prevailed in the 1970s and untill 1981, reveal clearly the direct link between government expenditures and money supply in this group of countries, where government expenditures fuel economic activity and contribute to between 40-50 percent of GDP. (See annex table A-10).

The reduction in M1 in 1988 was concentrated in demand deposits, with the exception of Saudi Arabia where it was concentrated in currency in circulation. The growth rate of M2[2/] was modest in 1988, with the exception of Qatar, where it declined by 8.4 percent, and in Saudi Arabia where it was a marginal 0.5 percent.

Combined with relatively stable exchange rates and heavy subsidies on basic services and commodities, the "modest" growth rates of M2 have helped dampen inflationary pressures. Consumer prices during the 1980s experienced very low rates of increase, and in some cases they even decreased. In 1988, inflation rates in the GCC countries ranged between 2.4 percent in the United Arab Emirates and -3.5 percent in Qatar (see Annex Table A-6). Although data on consumer prices is not available for 1989, it is estimated that no major shifts occured and the subregion continued to enjoy low inflation rates.

The ratios of M1 to M2 in the GCC countries, with the exception of Saudi Arabia, have underwent a noticeable decline since 1980. In 1988, the ratio stood at 32.5 percent in Oman and 17.7 percent in Kuwait, compared to 50.2 percent and 23.4 percent, respectively in 1980. In Saudi Arabia, the ratio of M1 to M2 rose marginally in 1987 and 1988 to reach 67.9 percent, but remained well below the ratio of about 81 percent in 1980. However, ratio of M1 to M2 in Saudi Arabia remained higher than in other GCC countries (see Annex Table A-9).

The growth of time and savings deposits has picked up slightly in 1987 and 1988 in Bahrain, Kuwait, Oman, and the United Arab Emirates. In Qatar, time and savings deposits grew by 2.7 percent in 1988, while in Saudi Arabia there was a decline of 2.2 percent.

1/ M1= Currency in circulation and demand deposits.
2/ M2= M1 + Private time and savings deposits.

E. Banking

1. General remarks

Banks in the GCC countries continued to improve their profitability in 1989. Despite the continuing pressure of provisioning for non-performing (i.e. bad) loans, there has been an increase in net and operating income as shown in Table 5. below. However, much of the profits which the GCC banks made in 1989 was in the form of net interest income on their overseas assets, which constitute over 55 percent of their total assets. Continuing improvement in economic conditions in the GCC countries is expected to affect positively the performance of banks in the region. Oil prices have stabilized at a lower but predictable level and are projected to rise steadily in the coming years. Most GCC banks are well on the way to bringing their provisions for risky developing countries' loans and their capital up to internationally acceptable levels. The syndication markets have continued their revival. In Saudi Arabia, preparations are underway for the introduction of an electronic clearing system. Kuwait and the United Arab Emirates are to follow. Bahrain and Oman have opened stock markets in 1989, and Saudi Arabia is introducing a screen - based share trading system. In Kuwait, a plan to reduce personal debt resulting from the crash of Souk Al-manakh in 1982 has been announced by the Central Bank in late 1989. In early 1990, the Saudi-Arabian Monetary Agency took steps to develop a secondary market in its own bonds by appointing four domestic banks as market makers for this financial instrument.

However, all of the GCC countries are considered to be overbanked. The fall in oil prices and the completion of infrastructure in the region in the 1980s have left behind a big number of financial institutions, most of which were established during that period for the sole purpose of benefiting from the oil, construction and trade-boom era. With this era mostly behind, many of these banks have been forced by the monetary authorities of their countries of location to find a rationale that justifies their further existence. Indeed, the fragmentation of the banking industry has been a significant impediment to its ability to expand and compete abroad. Actually, it has proved difficult to merge small or weak banks into larger and stronger institutions, since most of the board members of banks tend to be political appointees.

The small size of the home market has forced most major GCC banks to expand abroad. The focus has been on the need to follow trade and investment flows into Europe, the United States and to a more limited extent the Far East. While GCC banks have been relatively successful in attracting private sector funds for investment in the international financial markets, they have not been so with their own government and public sector funds. The National Bank of Kuwait estimates that of $200 billion of public and private funds managed by banks, only around $10 billion are in the hands of GCC banks[1/]

1/ The Banker, April 1990.

The changes which are taking place in international financial markets at a breath-taking pace, the trade and investment flows between Europe and the GCC countries not showing substantial growth, the legislative environment as reflected in capital adequency requirements and trade barriers, and the coming into being of the Single European Market in 1992, represent big challenges for most of GCC banks as well as other Arab banks abroad. Indeed, the approach of the Single European Market has forced a "soul-searching" on GCC and Arab banks with international pretentions. These banks realize that there will likely be both opportunities and risks in a more integrated but also a more exclusive Europe. The question is whether these banks will be able to exploit the former and cope with the latter.

Considering the strong historical, commercial and cultural relations and ties between the GCC countries and Europe, it would not be surprising to find out that GCC bankers consider the prospect of radical changes in this market unsettling. For example, the principle of reciprocal access -whereby the European Community (EC) will make its treatment of foreign banks dependent on the treatment of EC financial institutions in the banks' countries of origin- will play an important role in post-1992 legislation. This would pose problems for banks from GCC countries, primarily Kuwait and Saudi Arabia, which prohibit foreign banks from establishing branches.

Table 5. Selected Results of Some GCC Banks, 1989
(millions of United States dollars)

	Assets	Loans	Equity	Net Profit (loss)	ROAA1/ %	ROAE2/ %	L/A3/ %	E/A4/ %
Saudi-French Bank	4,801	1,380	293	28	0.58	9.59	28.74	6.11
Arab Banking Corporation	21,730	10,000	1,250	0	–	–	46.02	5.75
Arab National Bank	4,182	981	496	86	2.20	18.56	23.46	11.85
Commercial Bank of Dubai	347	212	n.a.	10	2.85	n.a.	61.08	n.a.
Emirates Bank International	1,772	927	177	30	1.82	18.53	52.32	9.98
Gulf International Bank	9,893	5,110	392	(692)	–	–	51.66	3.97
National Bank of Dubai	6,286	489	905	119	1.94	13.48	7.78	14.40
National Bank of Kuwait	13,282	5,745	951	120	0.95	13.16	43.25	7.16
Saudi American Bank	7,079	1,758	515	112	1.67	23.63	24.83	7.27
United Saudi Commercial Bank	1,376	246	85	25	1.97	34.31	17.88	6.20

Source: Middle East Economic Digest (MEED), 23 March 1990
1/ Return on average assets.
2/ Return on average equity.
3/ Loans to assets.
4/ Equity to assets.

Furthermore, to qualify for a license that will be valid in all EC countries, foreign banks including GCC banks, will have to have locally incorporated subsidiaries rather than branches or representative offices. Those international GCC banks without a natural home market or domestic deposit base may therefore need to shore up their presence in the Single European Market via acquisitions. However, there is not much indication that GCC banks have devoted serious thought to the strategic implications of the Single European Market. Many of these banks have been tied up in provisioning their bad debts and solving their management problems to do so. And many others are simply too small to be credible competitors in Europe.

2. Review of banking in selected GCC countries

Bahrain

The problems associated with non-performing (i.e. bad) loans, and the reduction in business opportunities which confronted the Bahraini offshore banking units (OBUs) during the second half of the 1980s, are considered to be largely over as profits of these units are rising again owing to the improved economic conditions in the GCC countries and the subsequent increase in banking business opportunities. The increased provisioning for non-performing loans has raised the confidence of the OBUs in their profit performance ability and presaged the end of an era where they had to work hard to clean up their balance sheets.

The locally-established OBUs, such as the Arab Banking Corporation (ABC) and Gulf International Bank (GIB), have started diversifying their business. Even though business in project finance and loan syndication is considered to become promising in the next few years, many of the OBUs have sought to refashion themselves as investment banks, particularly those which suffered most from the rush to expand assets during the 1980s. Bahrain now is forging a new role, one which better reflects its natural advantages, as a centre for channelling the large amounts of capital exported from what is still one of the world's wealthiest regions. The more firm oil price become, the more important that role will be.

A symbol of Bahrain's optimism is the opening of the stock exchange of Manama in 1989[1/]. The $250 million issue of Euro-equity of ABC has been listed there. The issue will also be the first stock listed in the Gulf that non-GCC citizens can trade.

With the heydays of OBUs manipulating investment needs of GCC investors over, OBUs must now prove the ability to structure deals in the way that local capital wants them, if they are going to survive. To do that, a fully-fledged investment banking capability is required from these banks. In certain cases, this would mean structuring investment deals or transactions to conform to

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1/ For further information, see Annex I, legislative decree No. 4 of 1987 regarding the establishment of a stock exchange in Bahrain, in Financial Markets and Investment Promotion in the ESCWA region, (E/ESCWA/DPD/1990/2).

Sharia (i.e., Islamic law), under which Islamic investment institutions operate[1/]. However, several locally incorporated OBUs have begun to develop investment banking expertise and contacts in international markets to be able to offer GCC-clients tailored portfolio structures for their investment needs. They have been helped by two factors: Firstly, the downturn in the regional economy simply discouraged new entrants, and secondly, the drop in business opportunities led to the close-down of a number of OBUs, whose number fell from a peak of 68 in 1986 to 56 at end-December 1989.

Saudi Arabia

Having largely overcome their loan-loss problems, many Saudi banks are making healthy profits, as shown in Table 6. below. However, most Saudi banks still have to develop viable strategies in a domestic market where good lending opportunities are limited and the financial market is underdeveloped. Indeed, the high interest rates in the international financial markets are still the major factor behind the profitability of Saudi banks, which keep most of their assets in deposits abroad.

Despite repeated announcements by the Saudi authorities concerning the expansion of the private sector, the opportunities for corporate lending remain limited. Competition is fierce and margins are benefiting the business. Economic conditions in the Kingdom are generally improving, but not to the point of significantly affecting the financial markets, although the increase in loan activity of some banks, (Table 6.) has been considered by the Saudi Arabian Monetory Agency (SAMA) as an indication of a stronger involvement of the banks in the country's national economy.

It is understood that Saudi banks are very liquid and meet comfortably the requirements of the Basle-based Cooke's Committee on capital adequacy ratio of banks[2/]. With deposits rising in almost all Saudi banks, and given the shortage of project finance opportunities, these banks are now giving more attention to retail banking, which still has much potential despite the high overheads requirements of staffing branches and installing technology. Most of the money supply in Saudi Arabia still circulates outside the commercial banking system and the country's central bank (SAMA), and many areas of the country are still underbanked. Retail banking is expected to be transformed drastically in 1990 with the installation of a clearing system for automated teller machines (ATMs). This would enable customers of one bank to use their ATM cards in the machines of another. The role of SAMA in speeding up the clearing system has been crucial, since it goaded the commercial banks into

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1/ For information on Islamic banking principles, see: Growth of Development Finance Institutions and Financial Resources Needs of Selected ESCWA Countries, (E/ESCWA/DPD/86/6), p.37.

2/ For detailed information on capital adequacy ratio, see chapter III.

Table 6. Results of Saudi Banks, 1987-1989*

	Profits millions of SR			Provisions millions of SR		
	1989	1988	1987	1989	1988	1987
Saudi-American Bank	186.9	121.3	39.7	54.0	71.0	83.4
Saudi-French Bank	60.8	46.2	40.7	30.0	35.9	51.2
Arab National Bank	159.0	115.8	80.2	38.2	41.9	40.3
Saudi-British Bank	68.5 1/	27.1 1/	6.3 1/	-	-	-
Saudi Investment Bank	16.8	5.4	4.4	20.0	20.0	20.0
Riyad Bank	191.1	-	-	116.3	-	-
Al-Rajhi Banking Corp.	548.2	-	-	31.8	-	-

	Assets billions of SR			Loans billions of SR			Deposits billions of SR		
	1989	1988	1987	1989	1988	1987	1989	1988	1987
Saudi-American Bank	23.1	20.9	15.1	18.3 2/	-	-	18.3	-	-
Saudi-French Bank	19.7	15.7	14.3	5.8 2/	-	-	12.7	-	-
Arab National Bank	14.8	13.3	12.3	3.2 2/	-	-	10.6	-	-
Saudi-British Bank	11.3	10.2	9.4	-	-	-	-	-	-
Saudi Investment Bank	3.8	4.1	3.6	-	-	-	-	-	-
Riyad Bank	42.4	-	-	10.2 2/	-	-	35.9	-	-
Al-Rajhi Banking Corp.	16.4	-	-	13.5	-	-	13.1	-	-

Source: Middle East Economic Survey, 7 August 1989, and The Banker, April 1990.

* As at 30 June 1989.
1/ Pre-provision profit.
2/ Represents an increase over 1988 of 31.8 per cent, 20.0 per cent, 16.1 per cent and 2.9 per cent, respectively.
... = Not available.

buying software. SAMA has been also the main force behind the recently introduced screen-based system for trading shares. To encourage a secondary market in SAMA's bonds, SAMA early this year appointed four local banks as market makers for the bonds, which were first launched in mid-1980s. SAMA issues the bonds fortnightly and nearly two thirds are always taken up by state-owned investment bodies.

Kuwait

For the fourth consecutive year, Kuwaiti banks reported profits in 1989. Apart from the National Bank of Kuwait, these profits are considered to be the result of the Central bank's assistance in as much as the increase in the banks' earnings. The central bank's assistance is the consequence of the Difficult Credit Facilities Resettlement Programme (DCFRP), a plan introduced in 1986 to handle and reschedule the huge debt caused by the crash of Souk Al-Manakh in 1982.

"The debt which amounted to around KD27 billion ($94 billion) at the time of the crash has been reduced to just around KD7 billion. The DCFRP is aimed at retrieving individuals' debts, but it also offers the banks support against their heavy indirect exposure to Souk Al-Manakh. The central bank underwrites the banks' provisions on their debt and safeguards their shareholders' equity (funds). It also ensures the banks announce profit and pay dividends so as to rebuild confidence in the banking system and, importantly, the stock market. Many of the bank's fallen loans are secured against shares on the depressed stock exchange, so ramping share prices effectively help cut the debt"[1/].

Consequently, with the exception of the National Bank of Kuwait, all Kuwaiti banks operate under the strict supervision of the central bank which decides the level of profits the banks may declare.

The central bank makes much of the fact that the Programme is now fully in place. Yet what all this means is that those debtors covered by the programme have nominally agreed to work out their debt with the banks. The programme has not solved the basic problem of repaying the total outstanding debt. Officially, the programme will take 10 to 15 years to work through. But with the central bank's insistence on full repayment of guarantees, the banks might be saddled with the problem for decades to come. Early in 1990, the government forgave debtors of less than KD250,000, on condition that they agree to surrender whatever collateral they had (no matter how small). The forgiveness is said to have released around 54 per cent of the debtors but only around 2.5 percent of the total DCFRP debt.

The DCFRP debt is not the only problem confronting Kuwaiti commercial banks, except the National Bank of Kuwait. Business opportunities in the local market are limited, so with encouragement from the central bank, most of these banks are looking to expand overseas. The National Bank of Kuwait is way ahead with 60 per cent of its assets booked abroad.

1/ The Banker, April 1990.

III. ESCWA NON-OIL-EXPORTING COUNTRIES

A. Fiscal Developments

In contrast to the brightening economic prospects of the ESCWA oil-exporting countries (i.e. GCC countries), economic performance in the ESCWA non-oil-exporting countries has been dragging. The economies of these countries have suffered from huge budget and trade deficits, debt repayment difficulties, high inflation rates and high unemployment rates. The challenge being faced is to adopt appropriate corrective measures and adjustment policies to rectify the imbalances and solve the other problems.

The efforts of these countries to cut significantly their large budget deficits have not been very successful. They have neither been able to raise considerably their domestic revenues, through appropriate tax policies and better collection methods, nor to significantly cut down expenditures, owing to the difficulties in cutting major items of current expenditures such as defence, subsidies, debt service payments and salaries and wages.

The International Monetary Fund (IMF) has urged these countries, especially those with debt repayment problems such as Egypt and Jordan, to drastically reduce the ratio of budget deficit to GDP as one of the basic adjustment measures. Recent budget estimates reflect attempts to lower budget deficits, however, it remains to be seen whether these efforts will materialize.

Budget estimates for 1989 and 1990 have maintained an increase in the level of expenditures below inflation rates, thus reducing them in real terms. In Jordan, expenditures estimates were even cut by 1.8 percent in 1989; however, a marginal increase is anticipated for 1990. Jordan has frozen wages and salaries, reduced expenditures on subsidies and cut development expenditures. Egypt is also trying to cut expenditures on subsidies, which exert a heavy burden on the budget.

On the revenues side, Egypt, the Syrian Arab Republic and Yemen, which are minor oil producers, will benefit from higher production and prices of oil. Egypt is benefiting as well from high revenues from tourism and Suez Canal dues. These countries are attempting to increase their revenues from taxes. Egypt is aiming at reducing tax concessions, improving tax collection methods, and is considering the imposition of consumption taxes. Jordan is considering increasing domestic revenues through the imposition of a value added tax, and raising the yield from income taxes.

An indication of the extent of Syria's budget deficit was revealed, for the first time, in the 1989 budget. The budget presentation revealed the dependence on various non-revenue balancing items. It showed a drawdown on reserves of SL 4.4 billion, grants and concessionary loans of SL 3.3 billion and a combination of foreign and domestic borrowing of SL 3.8 billion and SL 2.9 billion, respectively.[1/] Since Syria has admitted that defence outlays in 1989 have overshot the budget target by some 44 percent, the budget deficit for that year is expected to rise accordingly. Although Syria's 1990 budget estimates were released early this year, no breakdown was given.

1/ Economic Intelligence Unit, Country Report, Syria, No. 1, 1990.

B. External Debt

Servicing the external debt is one of the most accute problems facing countries in this group. Although the bulk of their debt is long term and concessional, the problem has been aggravated by the slowdown of their economies, caused -among other factors- by the sharp drop in spillovers from the GCC countries1/.

These countries have not been able to mobilize sufficient domestic financial resources to bridge the gap between savings and investment, nor were they successful in increasing their exports sufficiently to narrow the gap between imports and exports.

The unsettled political situation in the region has necessitated heavy defence expenditures. This not only added to budget deficits, and diverted expenditures from more productive sectors, but also left some countries with large military debt over and above their civilian debt.

Egypt and Jordan have been re-scheduling their debt service payments over the last few years due to their inability to meet their debt obligations. A report published recently by the World Bank2/ classified Egypt and the Syrian Arab Republic as moderately -indebted middle- income countries. However, it noted that "based on recent data, Egypt would be classified as a severly indebted instead of moderately indebted country.3/

Democratic Yemen was classified as moderately indebted low - income country, but would become a severely indebted low - income country if critical values as defined by the World Bank were lowered by 10 percent.

The extent of Jordan's debt problem did not surface until the end of 1988, when it became clear that the country could not meet its debt repayments schedule. The size of the debt which was put at $5.5 billion at the time, was re-assessed to $8.5 billion. Jordan has obtained aid and grants from ESCWA oil-exporting countries and reached an agreement with the IMF for a stand-by credit facility to help it withstand the crisis.

1/ The spillovers consist of workers' remittances, aid and grants and export of services and commodities.

2/ The World Bank, World Debt Tables, 1989-90, External Debt of Developing Countries, Volume 1, Analysis and Summary Tables.

3/ Moderately indebted countries are defined by the World Bank as countries in which values for three of the four key indicators fall in the following range: debt to GNP ratio (30-50%), ratio of debt to exports of goods and services (165-275%), accrued debt service to export ratio (18-30%), and accrued interest to export ratio (12-20%). Classifications are based on 60 percent of the average for countries with debt-servicing difficulties. Severely indebted countries are defined by the World Bank as countries in which values of three of the four key indicators are above critical levels. The indicators and their critical levels are debt to GNP ratio (50%), ratio of debt to exports of goods and services (27%), accrued debt service to export ratio (30%), and accrued interest to export ratio (20%). Classifications are based on: IMF, World Economic Outlook (April 1989). The World Bank, op.cit.

Applying the aforementioned World Bank criteria to assess the debt situation of the ESCWA indebted countries would show that all these countries-with the exception of Lebanon and Oman- have one of the highest ratios of debt to GNP and debt to exports in the world. In fact, the ratios are higher than those of highly - indebted countries in Latin America and Africa. The fact that the other two ratios are lower than those of other indebted developing countries is a reflection of the high degree of concessionality of the debt of these countries. Indeed, most of these countries have resorted to multilateral and bilateral borrowing rather than commercial borrowing, owing, on the one hand, to their unsatisfactory sovereign risk to borrow from the international financial markets, and, on the other hand, to easy access to funds from friendly countries.

ESCWA countries suffering from the debt problems may have to continue to live with them for most of the decade of 1990s. They may also have to combine a policy mix for achieving success, i.e., "macro economic policies for fiscal and external balance and low inflation, together with structural adjustment policies to increase efficiency and restore growth".1/

C. The Private Sector

Huge budget deficits, inefficency of the public sector in many domains, in addition to the growing world-wide conviction of the merits of the private sector, have led ESCWA non-oil-exporting countries to adopt policies favouring the private sector.

Joint ventures between the public and private sector have been considered as a good option for attracting private investmens. The approach of ESCWA non-oil-exporting countries has been for a gradual liberization of policies that would be easier to adapt to and would protect the economy from severe shocks. However, according to the IMF, "in-between measures have not proved to work-out. But, in any case, a systematic and consistant approach need to be followed if tangible benefits are to be reaped, and to avoid discouraging private entrepreneurs and capital flight"2/.

A thorough review of obstacles facing the private sector has been made in a number of ESCWA non-oil-exporting countries to modify measures and policies, especially those concerning the repatriation of capital and profits, guaranteeing private investment against appropriation and confiscation, and cutting down on red-tape procedures. An example in this context is the Syrain Arab Republic where exports of the private sector are reported to have increased remarkably in 1989, due to the government decision to allow exporters to retain 75 percent of the value of their exports in dollars, with the remaining 25 percent payable at the rate of 11.2 Syrian pounds to the dollar, compared to the official rate of 4.10 pounds to the dollar paid a year

1/ The World Bank. Op. cit.
2/ IMF survey, April 1989

earlier for the total value of exports. Another case is Egypt, which in order to facilitate the participation of the private sector in economic development, has issued a new investment promotion law. Law no. (230) of July 1989 allows the transfer of net profits and capital in lieu with the highest exchange rate at the time of the transfer, and provides guarantees against confiscation and appropriation 1/. Yemen is also drafting a new investment promotion law.

The emphasis on increasing private sector particiaption in the economy should not divert attention from the need to increase the efficiency of the public sector. The public sector in these countries has been the major moving force in the economy since the early 1960s and employs a significant portion of the labour force. Although few public sector enterprises have been profitable, price controls, lack of autonomy and overstaffing - to name some factors - have resulted in overall poor performance records. Some ESCWA countries such as Egypt and Jordan are trying to rectify the situation by lifting price controls, giving enterprises more autonomy and making administrators accountable for their decisions.

D. Currency Movements

Persistent budget and trade deficits have left their marks on the currencies of this group of ESCWA countries.

Prior to the liberalization of the exchange rate in May 1989, the Egyptian pound was permanently under pressure. Its secondary rate dropped from an average of 0.832 pounds per dollar in 1983 to over 2.5 pounds per dollar in 1989 and the primary rate was raised from 0.70 pounds to the 1.10 pounds to the dollar. In 1988 the Syrian pound declined sharply reaching a secondary rate of over 11 pounds per dollar compared to around 4 pounds in the preceding year. Notwithstanding this sharp decline, the Syrian pound is still considerably below the "neighbouring countries' cross rates", equivalent to about 40 pounds to the dollar.

The Jordanian dinar, retained its strength until 1988. The economic crisis that surfaced in early 1988 left its mark on the currency which depreciated by 53 percent to JD 0.570 per dollar from JD 0.372 per dollar during the previous year.

The Yemeni riyal depreciated by more than 125 per cent between 1983 and 1987. Following a slight appreciation in 1988 and 1989, it was officially devalued in February 1990 to 12 riyals per dollar compared to 9.760 riyals per dollar in 1989.

1/ For more details, see As-Siyasa, Kuwaiti Arabic daily, 7/12/1989.

It is noteworthy that while, the depreciation of the local currency has greatly contributed to the rise in inflation rates in these countries1/. it did not lead to significant increases/decreases in exports/imports as duly presumed, since trade flows remain, especially in Egypt and the Syrian Arab Republic under state control. Furthermore, with foreign trade of these countries being mostly counter-trade, the mere depreciation of their currencies leaves, in the final analysis, no or only little marks on their trade balances. Although currency depreciation is one of the adjustment measures in the IMF menu for economic reform, too sharp a depreciation would, under specific circumstances, contribute to capital flight, discourage investment, and shift savings from local to foreign currencies.

E. Monetary Developments

Currency depreciation and the intensification of inflationary pressures have been reflected in an increase in the money supply in most of the ESCWA non-oil-exporting countries. In the Syrian Arab Republic M2 in 1988 registered an increase of 21.7 percent, followed by Egypt (20.7 percent). In Jordan, however, the restrictive monetary policy of the central bank aimed at the stabilization of the exchange rate of the Dinar and at dampening inflation, has resulted in a moderate rise in money supply, M2, of 10.2 percent in 1988 and 12.2 percent in 1989. The increase in M2 in the two Yemens, was moderate, at about 6 percent (Annex table 10).

With the exception of Jordan, money supply in its narrow definition (M1) showed lower growth rates than M2 in most of this group of ESCWA countries in 1989 as a result of the increasing importance of time and savings deposits in M2, (see Annex Table A-10). In fact, the composition of M2, (see Annex Table A-9), reflects a deepening of the financial markets in these countries2/. For example, the ratio of M1/M2 for Egypt fell considerably during the 1980s, namely from 62.2 percent in 1980 to 35.5 percent in 1988, and for Jordan, it fell from 60.4 percent to 44.4 percent during the same period.

1/ Inflation rates in 1989 were highest in Lebanon and the Syrian Arab Republic, being over 100 percent in the former and around 30 percent in the latter. Unofficial estimates for Egypt indicate a rate of over 30 percent. Annex Table A-6 indicates that inflation rate in the Yemen decelerated in 1988 to around 16.5 percent, from over 20 percent in the period 1985-1987. Jordan, which until 1988 used to enjoy a relatively low rate of inflation of less than 5 percent on average, has seen its rate rise to over 25 percent in 1989.

2/ For further information on the deepening of financial markets, see Growth of Development Finance Institutions and Financial Resource Needs in Selected ESCWA Countries, (E/ESCWA/DPD/86/6).

In spite of the decline in the ratio of M1 to M2 in the period between 1980-1988 to 82.2 percent in the Syrian Arab Republic and 71.5 and 71.8 percent in Democratic Yemen and Yemen, respectively, the ratio can still be considered high. It highlights the need for the provision of further incentives to augment time and savings deposits. In contrast, Lebanon had the lowest ratio of M1 to M2 with just 4.7 percent in 1987, the latest year for which information was available.

In Jordan, the Central Bank, floated the rate of interest on the dinar in February 1990 to encourage saving deposits and comply with IMF requirements. The re-discount rate was raised earlier and credit facilities were restricted.

IV. CAPITAL ADEQUACY OF THE BANKING SYSTEM IN THE ESCWA REGION

A. General Remarks

The capital adequacy issue has gained major importance following the acceptence in 1986 of the OECD banking community to set a ratio of 8 percent as the minimum ratio of bank capital to bank assets and to define the different constitutents of bank capital and the degree of association of each with a system of weighted risks as related to the various categories of assets. Following this development, a world-wide re-evaluation of banking activities and a review of the system of pricing (particularly the off-balance-sheet in services) in light of respective lending risks, have become a major task for the international financial community, especially since increasing bank capital and selling bank assets are associated with this task.

The following are some of the reasons that are said to have caused the Committe of the Basle-based Bank for International Settlements on Banking Regulations and Supervisory Practices[1/] to initiate the issue of capital adequacy.

1. Bank capital is all what a bank normaly has to face the consequences of any risk associated with bank activities, and to cover losses. Bank shareholders are responsible for the bank guaranteeing security of funds of depositors[2/]. The amount of guarantee given to depositors funds, however, depends on the various categories of bank assets and the level of depreciation of these assets. It is, therefore, natural that evaluation of bank assets is made in respect of the risk associated with each of them, and that the bank must establish a positive correlation between risk and capital. Hence, an increase of risk necessitates an increase of capital.

1/ The committee is known as the Cooke's Committee according to the name of its chairman Mr. Peter Cooke of the Bank of England.

2/ In this regard, the United States Federal Deposits Insurance Corporation ensures deposits of up to $100,000. However, insurance of funds is not identical with guaranteeing of funds. While the insurance is associated mainly with the bank's bankruptcy, the guarantee is defined to include only the bank's readiness to repay funds whenever requested and as agreed on in advance.

2. International banks have been badly hit by the world debt crisis. Lending by these banks to developing countries has constituted an average of around 76 percent of their total sovereign lending, (Table 7).

Table 7.
Sovereign Lending of International Banks, 1984-1988
(in millions of United States dollar)

As at	Total lending	Lending to developing countries
31/12/1984	581.5	444.8
31/12/1985	595.6	476.7
31/12/1986	636.7	491.5
31/12/1987	688.9	518.9
30/6/1988	660.8	488.8

Source: International Monetary Fund, International Capital Markets, Developments and Prospects, table A29.

Note: The increase in lending to developing countries is merely the result of rescheduling their debt.

The inability of many of the major indebted developing countries to meet payment schedules has led the banks either to write off loans or to securitize them with high discount rates, or to consider parts of them as non-performing, or to swap the loans with equities or bonds in the indebted countries. This deterioration in the value of a major category of bank assets (loans) has forced the banks to increase their capital in order to cover the losses and to maintain an acceptable capital/assets ratio.

3. The low capital/assets ratio of Japanese banks, which has enabled these banks to drive forcefully and compete vigorously in the international financial centres, has been a significant reason behind initiating the issue of capital adequacy by the Cooke's Committee. In fact, while the capital/assets ratio for most of the European and American banks in the international financial centres was in the range of 4-6 percent at end-1988, the corresponding ratio for international Japanese banks and financial houses averaged 2.5 percent, thus enabling these banks to compete with very low margins against their European and American counterparts. These found themselves unable to offer the same margins owing to the binding of parts of their capital for assets' "protection" purposes.

B. Definition of Bank Capital

In determining capital adequacy, three main issues concerning the definition of bank capital are stated:

- The two constituents of bank capital;

- the ratio of bank capital to bank assets; and,

- the weighted risk associated with the various categories of bank assets.

1. The two constituents of bank capital. These are the core capital and the supplementary capital. While the core capital consists of equity capital and disclosed reserves, plus, as a concession to the United States, non-cumulative preference shares,1/ the supplementary capital consists of undisclosed reserves, reserves resulting from revalution of assets, reserves made for bad loans, mid- and long-term borrowing and finally bonds and preferred stocks. However, ratios of these capital sources to total capital are determined by the Cooke's Committee as follows:2/

   - Supplementary capital/core capital is 100 per cent at highest;

   - mid- and long-term borrowing/core capital is 50 per cent at most;

   - reserves made for bad loans/core capital is 1.25- 2 per cent; and,

   - reserves resulting from revaluation of assets are subject to a 55 per cent discount.

2. The ratio of bank capital to bank assets. With total bank capital being made up the core capital and the supplementary capital, and the latter not exceeding 100 per cent of the former, and with both having a minimum ratio of 8 per cent to bank assets, (i.e. capital adequacy ratio), the ratio of the core capital to the bank assets would therefore be 4 per cent as a minimum. Table 8 below indicates the steps recommended by the cooke's Committee for establishing the required capital adequacy ratio of 8 percent at end-1992.

1/ The rationale behind the inclusion of this type of shares is that this instrument is available to absorb losses, without the need for catch-up dividend payment, and is therefore equivalent to equity.

2/ International Currency Review, Volume 19, Number 3.

Table No.8
Steps Recommended by the Cooke's Committee to Establish Capital Adequacy Ratio of 8 percent at end -1992

Item	Present situation	end-1990	end-1992
1. Capital/assets	no change	7.25 percent	8 percent
2. Constituents of bank capital	Both constituents (100 percent)	3.625 percent+ 3.625 percent	4 percent 4 percent
3. Share of capital sources in core capital being considered for deletion	25 percent (maximum)	10 percent (maximum)	nothing
4. Reserves for bad loans in supplementary capital	no limit	2 percent (maximum)	1.25 percent (maximum)
5. Share of mid- and long-term borrowing in supplementary capital	no limit	to be considered by domestic authorities	50 percent in core capital (maximum)
6. Good will depreciation	from core capital as considered by domestic authorities	from core capital as considered by domestic authorities	from core capital

Source: Compiled from an article published in International Currency Review, Volume 19, Number 3, pp. 32-38

3. The weighted risk associated with the various categories of bank assets

The Cooke's Committee indicated the risk rates associated with the various categories of assets. As concerns the category of on-balance-sheet assets, the following weighted risk ratios have been considered:1/

a) Cash; claims on central governments and central banks denominated in the relevant national currency and funded in that currency; other claims on OECD central governments and central banks; claims collateralised by cash or OECD central governments securities or guaranteed by OECD central governments: zero per cent.

b) Claims by domestic public sector entities, excluding central government, and loans guaranteed by such entities. zero per cent, 10 per cent, 20 per cent or 50 per cent (at national discretion).

c) Claims on multilateral development banks2/ and claims guaranteed by, or collateralised by securities issued by such banks; claims on banks incorporated in the OECD and loans guaranteed by OECD incorporated banks; claims on banks incorporated in countries outside the OECD with a residual maturity of up to one year and loans with a residual maturity of up to one year guaranteed by banks incorporated in countries outside the OECD; claims on non-domestic OECD public sector entities, excluding central government, and loans guaranteed by such entities; cash items in process of collection: 20 per cent.

d) Loans fully secured by mortgage on residential property that is or will be occupied by the borrower or that is rented: 50 per cent

e) Claims on the private sector; claims on banks incorporated outside the OECD with a residual maturity of over one year; claims on central governments outside the OECD (unless denominated in national currency - and funded in that currency - (see (a) above); claims on commercial companies owned by the public sector; premises, plant and equipment and other fixed assets; real estate and other investments (including non-consolidated investment participations in other companies); capital instruments issued by other banks (unless deducted from capital): 100 percent

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1/ International Currency Review, op.cit. p.35.

2/ International Bank for Reconstruction and Development; (IBRD), Inter-American Development Bank (IADB): African Development Bank; (AFDB): European Investment Bank (EOB).

With regard to the category of off-balance sheet assets, the following weighted risk ratios have been considered[1/]:

a) Direct credit substitutes, e.g. general guarantees of indebtness (including stand-by letters of credit serving as financial guarantees for loans and securities) and acceptances (including endorsements with the character of acceptances): 100 per cent

b) Certain transactions-related contingent items (e.g. performance bonds, bid bonds, warranties and stand-by letters of credit related to particular transactions): 50 per cent

c) Short-term self-liquidating trade-related contingencies (such as documentary credits (collateralised by the underlying shipments): 20 per cent

d) Sale and repurchase agreements and asset sales with recourse, where the credit risk remains with the bank: 100 per cent

e) Forward asset purchases, forward deposits and partly-paid shares and securities, which represent commitments with certain drawdown: 100 per cent.

f) Note issuance facilities and revolving underwriting facilities: 50 per cent.

g) Other commitments (e.g. formal stand-by facilities and credit lines) with an original maturity of over one year: 50 per cent.

h) Similar commitments with an original maturity of up to one year, or which can be unconditionally cancelled at any time: zero per cent.

Considering the aforementioned weighted risk rates, it could then be said that capital adequacy will be determined according to the distribution of risks in the bank assets. Consequently, it is the bank assets and the risks associated with these assets that determine the required level of bank capital. The weighted risk rates also indicate that the Cooke's Committee has given significant consideration to the credit risk as a result of the considerably accumulated bad loans of the banks to the developing countries and the increased inability of these countries to meet payment schedules. However, by dividing the world, in light of credit risk, into two groups, namely the OECD group and the non-OECD group (i.e. the developing countries' group), a more disadvantegous system in the world-wide capital flows may evolve for the developing countries.

1/ International Currency Review, op.cit., p.35.

C. <u>ESCWA Banks and Capital Adequacy</u>.

The modest activities of ESCWA banks in the international financial centres have experienced a set-back during the last few years owing, on the one hand, to the drop in the region's financial surpluses caused by the fall in oil revenues and related spillovers, and, on the other hand, to the mounting of bad loans made by these banks in the 1970s and early 1980s. The requirements of capital adequacy pose an additional burden for these banks, in that some of them must raise funds to increase their capital, some others must withdraw from the international financial scene, and still others which have no home base or cannot raise funds to increase capital or were established merely for prestigeous reasons -must vanish. It is, therefore, expected that the number of ESCWA banks doing international business or with headquarter in international financial centres will significantly be reduced in 1992 when the Cooke's capital adequacy ratio of 8 percent comes into effect. Table no.9. indicates the pre-1992 changes some major Arab (including ESCWA) banks must make in capital and assets.

Since many Arab (including ESCWA) banks with a capital adequacy ratio of less than 8 percent and a capital of less than $100 million are neither able to increase their capital nor willing to devalue their assets to meet the requirements of the Cooke's Committee, the central banks of the countries conceived, as well as those of the major shareholders of these banks, would therefore, have to interfere, especially as most banking communities in the region consider the requirements of the Cooke's Committee discriminatory.

Reviewing current discussions among Arab (including ESCWA) banking community concerning the issue of capital adequacy suggests that their central banks are almost absent from the scene, although the issue may affect negatively many of the banks these central banks are supposed to direct and supervise. ESCWA and other Arab central banks barely participate in the Basle as well as Brusseles discussions concerning the issue of capital adequacy ratio and seems to be unable to interfere in favour of their own banks and/or those of the region as a whole.

Table 9.
Capital/assets Ratio and pre-1992 Changes of Selected Arab banks Having Over $100 Million Capital As At end-1988, Ranked According to Capital

Rank Arab	Rank Int'l	Bank	Capital $ million	Assets $ million	Capital/ assets ratio %	Pre-1992 changes: Increase in capital $ million	Pre-1992 changes: Decrease in assets $ million
1	67	Rafidain Bank - Baghdad	2,605	54,741	4.8	1,774.3	22,178.5
2	77	Banque Ext. d'Algerie-Algiers	2,376	11,362	20.9		
3	101	Banque Nat. d'Algerie - Algiers	1,725	12,430	13.9		
4	158	Riyad Bank - Riyadh	1,154	10,469	11.0		
5	159	Arab Banking corporation-Bahrain	1,144	19,127	6.0	386.2	4,827.0
6	189	National Bank of Kuwait-Kuwait	906	12,300	7.4	78.0	975.0
7	192	BCCI-Luxembourg	886	20,638	4.3	765.0	9,563.0
8	196	National Bank of Dubai-Dubai	864	6,026	14.3		
9	199	National Commercial Bank-Jeddah	854	18,858	4.5	654.6	8,183.0
10	223	Arab Bank-Amman	765	13,402	5.7	307.2	3,839.5
11	234	Gulf Investment Corp.- Kuwait	730	1,717	42.5		
12	235	Gulf Int'l Bank - Bahrain	726	9,185	7.9	8.8	-
13	242	The Gulf Bank - Kuwait	697	6,713	10.4		
14	275	ApiCorp. -Dhahran	603	910	66.3		
15	291	Burgan Bank-Kuwait	571	4,478	12.8		
16	300	Al-UBAF - Paris	548	13,401	4.1	524.1	6,551.0
17	320	Libyan Arab Foreign Bank-Tripoli	512	3,708	13.8		
18	325	Al-Ahli Bank of Kuwait-Kuwait	499	6,203	8.0		
19	338	National Bank of Abu Dhabi-Abu Dhabi	472	6,703	7.0	64.2	803.0
20	350	Bank of Kuwait & the Middle East-Kuwait	449	3,762	12.0		
21	356	Commercial Bank of Kuwait	436	7,711	2.5	98.0	2,261.0
22	360	Arab National Bank - Riyadh	430	3,542	12.1		
23	384	Saudi-American Bank-Riyadh	398	5,206	7.6	18.5	231.0
24	385	Banque du Caire- Cairo	397	3,803	10.4		
25	422	Arab Investment Company-Riyadh	350	3,750	46.7		

Source: The Banker, July 1989; and ESCWA calculations (the last two columns).

Note: Pre-1992 change in capital and assets for banks of a capital adequacy of presently less than 8 percent has been calculated, without considering risks associated with assets, as follows:

1. Change in capital by supposedly same level of assets:
   (Assets x 0.08) - capital = change (required increase) in capital
2. Change in assets by supposedly same level of capital:
   (Capital- 0.08) - assets = change (required decrease) in assets.

Current discussions among the ESCWA banking community suggest that in order to start consolidating the state of affairs of affected banks and improve their ability to meet the requirements of the Cooke's Committee, the following steps should be undertaken:

1. Since capital of banks in most ESCWA countries is denominated in the national currencies of these countries, a problem arises for these banks by accepting foreign currency deposits and investing these deposits in assets associated with risk, however small the extent of that risk and regardless of the restrictions imposed by their central banks. With foreign currency deposits already constituting over 20 percent of total deposits for most of these banks, they are finding themselves increasingly unable to protect their assets (i.e., investments) denominated in foreign currencies against risk, especially as they cannot mobilize foreign currencies domestically to improve their capital base. Furthermore, problems arise related to foreign assets of the banks affect negatively the foreign currency position of their countries themselves in that the central banks of these countries would use their own foreign currency positions to interfere in favour of problems banks. Concerned discussions in the region, however, indicate that central banks of some of the countries in the region may permit commercial banks to have foreign currency positions derived from their domestic liabilities to protect their foreign investments against risk. In so doing, the central banks would be relieved from using official foreign currency reserves to soften the problem. However, cancellation of some related banking and foreign exchange regulations might be necessary.

2. A sufficient capital adequacy still can give no guarantee for the survival of a bank. Indeed, many of the problems confronting a number of ESCWA banks are a result of insufficient liquidity rather than capital inadequacy. Therefore, changing the hitherto applied liquidity ratios for the banks would support these banks in their efforts to foster their capital adequacy.

3. Merging would help banks meet the capital adequacy requirements of the Cooke's Committee and improve profitability, especially when the merger happens between a bank of high capital adequacy, and consequently low return on equity, and a bank with low capital adequacy. The former would then have additional assets and thus a chance of improving return on equity, and the latter would be spared from the difficult task of raising funds for a capital increase to meet capital adequacy requirements. As one bank, both objectives would be achieved. It is noteworthy that merging banks headquartered outside the ESCWA region is a task of more urgency than merging domestic banks in any of the ESCWA countries, for time is running out for the former, especially for those of them which are unable to raise funds to increase capital owing to their low capital adequacy and the high percentage of risky assets in their total assets.

4. Since many of ESCWA banks have been involved in a significant volume of non-performing loans, and a major portion of the assets of many others are fixed in such items as real estate and property, the banks are expected to build up reserves against these loans and to attempt to reduce the portion of fixed assets in total assets so as to raise funds and improve their liquidity position towards meeting the requirements of capital adequacy ratio of the Cooke's Committee.

5. The presence of many ESCWA banks in international financial and banking centres has, in many cases, not been motivated by business feasibility alone, but also by prestige considerations. With the drop in the financial resources of the ESCWA region, and consequently the reduction in the funds available for the banks to continue finance that presence, most of these banks have been finding themselves increasingly unable not only to raise funds to improve their capital base but also to continue existing in any form. Since involvement in the international financial and banking centres does not necessarily imply having a branch in these centres with all of the implications for capital and assets, a representative office or good correspondent banking relations would do the job. Current discussions of these issues in the region seem to recommend this direction to avoid the difficult requirements of the Cooke's Committee, especially for small banks and banks with low capital adequacy ratio.

However important the implications of the capital adequacy ratio for ESCWA banks doing international business, a continuing and successful existence of these banks still depends on many other factors. ESCWA banks must first and foremost justify rationally and objectively their presence in the international financial and banking centres. If that presence is motivated solely by prestige or similar considerations, then ESCWA banks better withdraw or liquidate this presence. The strict international banking regulations of 1992 and the resulting tougher competition in the international banking arena would leave no room for "luxury" branching or tools of wealthy shareholders, as is the case of a number of ESCWA banks, especially since many of them are loss-making. Furthermore, ESCWA banks should understand that they are in the international financial and banking centres to compete against other banks and not against each other, regardless venues of business. The rationale is that ESCWA banks should complement each other's business and not compete against each other. And whenever feasible, it is better if they merge with each other.

ANNEX TABLES

Table A-1. Ratio of private and government final consumption expenditures, gross fixed capital formation and national savings to GDP, 1980-1988
(at current prices; per cent)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
GCC									
Bahrain									
Private final consumption expenditure	35.0	35.0	34.6	36.7	38.8	40.3	41.1	39.1	43.1
Govrnt. final consumption expenditure	11.4	12.3	14.4	15.1	15.9	17.9	20.4	22.5	22.1
Gross fixed capital formation	24.0	33.2	29.4	39.6	37.4	31.5	34.9	32.5	29.9
National savings	54.3	55.0	41.7	34.4	37.9	46.5	26.5	21.9	-
Kuwait									
Private final consumption expenditure	31.0	37.4	52.2	45.6	41.9	41.9	53.8	56.3	60.2
Govrnt. final consumption expenditure	11.2	14.4	19.5	21.1	21.3	24.5	28.9	23.5	24.8
Gross fixed capital formation	12.5	15.5	23.4	24.9	21.1	22.4	21.8	17.8	20.3
National savings	66.6	69.0	44.8	44.1	47.2	41.7	44.6	31.8	-
Oman									
Private final consumption expenditure[a/]	28.0	23.7	30.4	29.3	30.8	32.6	36.4	31.0	40.0
Govrnt. final consumption expenditure	24.2	26.4	27.4	28.5	26.5	27.2	33.2	30.4	32.7
Gross fixed capital formation	22.6	23.4	27.0	26.9	30.3	27.6	32.1	18.8	16.8
National savings	39.3	42.5	33.7	33.3	33.6	30.4	18.4	29.8	-
Qatar									
Private final consumption expenditure	15.7	17.2	21.4	24.4	23.7	25.1	29.1	29.4	31.0
Govrnt. final consumption expenditure	19.6	25.8	26.1	34.8	36.1	25.2	45.9	46.0	47.7
Gross fixed capital formation	16.6	16.8	26.7	24.2	17.2	17.7	18.6	17.9	18.6
National savings	50.8	45.2	42.3	28.2	28.7	26.8	14.9	15.5	15.5

Table A-1 (Cont'd)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Saudi Arabia									
Private final consumption expenditure	26.5	22.1	24.1	36.4	45.4	50.5	51.7	49.3	49.6
Govrnt. final consumption expenditure	20.1	15.7	24.5	30.6	34.4	36.4	39.3	39.3	38.1
Gross fixed capital formation	25.2	20.4	23.3	27.8	27.5	24.3	24.4	23.1	23.3
National savings	44.1	48.9	37.5	35.9	26.1	17.6	14.5	15.8	-
United Arab Emirates									
Private final consumption expenditure	17.3	20.6	23.9	26.7	27.0	28.5	39.8	38.7	44.5
Govrnt. final consumption expenditure	10.9	17.7	19.6	18.5	17.4	19.7	22.1	20.3	21.1
Gross fixed capital formation	27.5	25.3	28.2	30.8	28.6	24.6	29.4	23.2	24.1
National savings	55.6	46.5	39.7	36.3	37.7	34.1	18.8	23.3	-
Other ESCWA Countries									
Democratic Yemen									
Private final consumption expenditure	101.7	88.0	91.5	86.5	85.9	91.4	87.3	87.0	85.9
Govrnt. final consumption expenditure	33.1	49.7	50.0	49.4	48.7	51.2	51.1	51.5	51.8
Gross fixed capital formation	35.8	46.8	41.4	43.6	45.2	44.9	30.5	26.8	32.1
National savings	19.5	19.4	16.3	7.7	5.9	-11.1	-15.5	-19.8	-
Egypt									
Private final consumption expenditure	71.6	65.0	69.1	65.7	70.3	71.4	71.3	77.8	79.4
Govrnt. final consumption expenditure	19.0	16.6	16.4	16.7	17.3	16.7	16.0	14.4	13.2
Gross fixed capital formation[b/]	33.3	30.4	26.7	26.6	24.2	21.8	21.3	18.5	17.6
National savings	-	-	-	-	-	-	-	-	-
Jordan									
Private final consumption expenditure	84.3	90.5	92.3	94.8	91.7	87.3	75.5	75.8	74.7
Govrnt. final consumption expenditure	24.8	24.6	24.7	24.5	25.2	25.2	27.4	27.3	26.7
Gross fixed capital formation	40.0	48.5	45.2	35.3	32.4	29.5	28.0	26.4	27.2
National savings	47.6	43.8	31.0	18.6	17.4	15.6	20.7	11.6	-
Iraq									
Private final consumption exp.[c/]	22.8	37.7	41.6	-	-	-	-	-	-
Govrnt. final consumption expenditure	15.1	29.8	35.3	74.0	73.3	73.5	79.6	73.7	86.0
Gross fixed capital formation	21.9	46.3	45.2	36.6	26.6	24.1	19.6	18.8	16.2
National savings	59.0	17.8	5.2	-	-	-	-	-	-
Lebanon									
Private final consumption expenditure	92.2	92.2	102.3	92.3	85.4	98.3	92.5	85.9	93.4
Govrnt. final consumption expenditure	25.1	25.1	46.3	61.6	67.1	40.7	24.3	6.2	6.6
Gross fixed capital formation	15.7	20.6	22.7	21.4	30.5	34.6	27.9	25.9	33.0
National savings	-	-	-	-	-	-	-	-	-
Syrian Arab Republic									
Private final consumption expenditure	66.5	73.4	65.4	67.8	65.2	65.1	65.4	71.9	73.5
Govrnt. final consumption expenditure	23.2	20.8	22.0	22.0	22.7	23.8	21.4	18.2	15.9
Gross fixed capital formation	27.5	23.2	23.7	23.6	23.7	23.8	23.3	18.6	16.6
National savings	11.0	7.3	12.5	10.4	12.0	11.1	12.0	8.4	-

Table A-1 (Cont'd)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Yemen Arab Republic[d/]									
Private final consumption expenditure	95.0	94.3	93.5	95.3	93.5	95.0	92.6	96.9	84.2
Govrnt. final consumption expenditure	20.7	21.5	24.0	23.9	20.5	18.1	16.0	18.8	20.8
Gross fixed capital formation	37.4	37.0	28.6	20.1	17.8	14.9	12.9	13.6	13.1
National savings	16.3	16.3	16.3	5.2	7.7	4.7	7.5	1.1	-
Total ESCWA									
Private final consumption expenditure	32.9	33.5	37.5	38.6	41.5	44.1	48.1	50.0	49.9
Govrnt. final imports expenditure	17.6	18.6	24.5	32.8	34.5	35.1	36.5	33.6	36.9
Gross fixed capital formation	24.2	25.2	27.5	28.7	26.2	23.9	23.3	20.4	19.8
National Savings	---	---	---	---	---	---	---	---	---

Source: Compiled from ESCWA, National Accounts Studies of the ESCWA Region, Bulletin No. 11, Baghdad, December 1989 (E/ESCWA/STAT/89/25).

a/ Including stocks.
b/ Including increase in stocks.
c/ Including private final consumption expenditure from 1983 onward.
d/ Democratic Yemen and Yemen declared their unity on 22 May 1990.

Table A-2. Government Revenues, Expenditures And Surplus/Deficit, 1981-1990

(Million of national currency units)

	1981	1982	1983	1984	1985	1986	1987	1988[a]	1989[b]	1990[b]
GCC Countries										
Bahrain										
Revenues	540.6	556.1	484.8	548.6	533.2	467.6	427.1	401.3	430.0	440.0
Expenditures	472.6	532.2	535.2	536.6	508.5	487.1	466.3	486.2	530.0	540.0
Surplus/deficit	68.0	23.9	-50.4	10.2	24.7	-19.5	-39.2	-84.9	-100.0	-100.0
Kuwait[c]										
Revenues	4675.9	3008.6	2602.1	3175.4	2744.7	2345.0	1730.9	2251.7	2367.8	2230.5
Expenditures	2702.8	2813.8	3248.3	3023.9	3204.9	3105.9	2860.1	2806.0	2998.6	3526.0
Surplus/deficit	1973.1	194.8	-646.2	151.5	-460.2	-760.9	-1129.2	-779.5	-867.6	-1096.0
Oman										
Revenues	1362.7	1231.8	1253.9	1340.6	1559.8	1154.1	1427.5	1198.0	1209.0	1433.0
Expenditures	1174.3	1364.4	1546.9	1760.3	1915.2	1854.0	1576.4	1560.4	1617.0	1747.0
Surplus/deficit	188.4	-132.6	-293.0	-419.7	-355.4	-699.9	-148.9	-362.4	-408.0	-314.0
Qatar[d]										
Revenues	18818.0	16432.6	13863.0	13874.0	11443.0	5884.0	7094.0	6657.0	5835.0	7785.7
Expenditures	14811.0	15165.0	13275.0	12675.0	11103.0	10433.6	10373.0	10639.0	11482.0	11709.2
Surplus/deficit	4007.0	1267.0	588.0	1199.0	340.0	-4549.0	-3279.0	-3982.0	-5647.0	-3923.5
Saudi Arabia[e]										
Revenues	348119.9	368006.0	246180.0	206418.0	171510.0	76498.0	103811.0	84600.0	11600.0	118000.0
Expenditures	236570.0	284648.0	244910.0	230190.0	216363.0	137422.0	173526.0	134250.0	141000.0	143000.0
Surplus/deficit	111549.9	83358.0	1270.0	-23772.0	-44853.0	-60924.0	-69715.0	-50250.0	-25000.5	-25000.0
United Arab Emirates										
Revenues	23193.7	16100.4	13807.6	12826.3	15525.0	14840.0	11273.3	13274.3	12840.0	-
Expenditures	20633.6	19979.8	16310.3	15669.2	15939.0	15740.0	13258.3	12757.5	14650.0	-
Surplus/deficit	2560.1	3879.4	-2502.7	-2842.9	-414.0	-890.0	-1985.0	516.8	-1810.0	-

Table A-2 (Cont'd)

	1981	1982	1983	1984	1985	1986	1987	1988[a]	1989[b]	1990[b]
Other ESCWA countries										
Democratic Yemen[i]										
Revenues	135.3	148.2	143.3	161.0	157.2	-	-	-	-	-
Expenditures	230.6	259.2	280.5	295.0	284.2	-	-	-	-	-
Surplus/deficit	-72.6	-117.7	-137.2	-134.0	-127.1	-	-	-	-	-
Egypt [c]										
Revenues	-	7890.0	8693.0	11197.0	12877.0	15010.0	15449.0	18799.0	22183.0	25416.0
Expenditures	-	11416.0	13538.0	16209.0	18277.0	19910.0	24530.0	25985.0	30399.0	30306.0
Surplus/deficit	-	-3526.0	-4845.0	-5012.0	-5400.0	-4900.0	-9081.0	-7186.0	-8216.0	-4890.0
Jordan [f]										
Revenues	617.1	655.2	705.5	678.4	844.8	905.4	870.0	925.9	913.2	906.7
Expenditures	647.1	693.5	705.3	720.8	805.7	981.3	965.8	1054.0	1035.4	1090.0
Surplus/deficit	-30.0	-38.3	0.2	-42.4	-39.1	-75.9	-95.8	-128.1	-122.2	-183.3
Lebanon [g]										
Revenues	3255.0	3034.0	5080.0	2481.0	4340.0	6065.0	20069.0	-	-	210000.0
Expenditures	5220.0	5945.0	5610.0	7578.0	9680.0	12865.0	35629.0	-	-	597000.0
Surplus/deficit	-1965.0	-2921.0	-3530.0	-5097.0	-5340.0	-6800.0	-15560.0	-	-	387000.0
Syrian Arab Republic [b] [h]										
Revenues	304800	33345.0	37253.0	41289.0	429884.0	43841.0	41703.0	51545.0	5713.0	61875.0
Expenditures	304800	33345.0	37253.0	41289.0	429884.0	43841.0	41703.0	51545.0	5700.0	61875.0
Surplus/deficit	-	-	-	-	-	-	-	-	-	-
Yemen Arab Republic[i]										
Revenues	-	5455.6	5562.6	5154.5	6216.7	8474.5	8515.7	13721.6	16041.0	19685.0
Expenditures	-	9119.3	9276.9	9166.2	10635.7	13022.3	15643.4	19856.7	20789.0	24849.0
Surplus/deficit	-	-3663.7	-3714.3	-4020.7	-4419.0	-4547.8	-7127.7	-6135.1	-4747.0	-5164.0

Table A-2 (Cont'd)

Source: ESCWA, based on national and international sources.

Notes:

a/ Provisional.

b/ Budget estimates.

c/ Fiscal year ending June 30.

d/ Hijri Fiscal year. As of 1/4/1989 it was changed to a fiscal year starting 1 April and ending 31 March. The 1988 figures are for 14 months to accomodate the change.

e/ Hijri fiscal year. 1986 budget for 10 months and as of 1987 the fiscal year was set at the 10th of capricorn corresponding to 31 December. The 1985/1986 actual revenues and expenditures were omitted from the table due to the table format. They were SR 133, 565 million and 189,004 million respectively.

f/ The surplus/deficit includes grants and loans. As of 1990 the presentation of budget figures changed with total receipts excluding grants and loans and indicating - much higher deficits.

g/ The budget had not been officially promulgated as a law since 1985. Expenditures for 1982 were made according to the twelve month cycle, with the exception of wages and salaries, public debt services and treasury bills and the fuel fund. Public debt is much higher than the budget deficit due to the large deficits incurred outside the budget.

h/ Although the Syrian Arab Republic is known to have incurred budget deficits for many years, available data are for budget estimates which have shown balanced budgets.

i/ Democratic and Yemen declared their unity on 22 May 1990.

Table A-3.

Budget Surplus/deficit as per cent of GDP*, 1981-1988

	1981	1982	1983	1984	1985	1986	1987	1988 a/
GCC countries								
Bahrain	5.0	1.7	-3.5	0.7	1.8	-1.6	-3.4	6.5
Kuwait	28.6	3.2	-10.5	2.4	-7.7	-15.1	19.3	-14.0
Oman	7.6	-5.1	-10.7	-13.8	-10.3	-25.0	-5.0	-8.6
Qatar	12.7	4.6	2.5	4.8	1.5	-24.7	-16.5	-19.1
Saudi Arabia	21.4	15.9	0.3	-6.8	-14.3	-22.5	-25.3	-18.3
United Arab Emirates	2.1	3.4	-2.4	-2.8	-0.4	-1.1	-2.3	0.6
Other ESCWA countries								
Egypt	---	-17.4	-19.5	-18.0	-16.6	-12.8	-20.6	-13.8
Jordan	-7.6	-6.7	-3.0	-9.6	2.4	-4.6	-5.7	-6.9
Lebanon	-11.7	-23.2	-32.6	-38.3	---	---	---	---
Syrian Arab Republic	-15.9 b/	-19.1 b/	---	---	---	---	---	---
Democratic Yemen	-24.5	-36.7	-38.9	-34.6	-33.3	-38.2	---	---
Yemen	---	-18.2	-17.0	-16.2	-14.5	-11.9	-16.1	-11.4

Source: ESCWA, based on table A-2.
* The deficit includes grants and loans except for Egypt. For Kuwait, it excludes investment income.
a/ provisional.
b/ IMF estimates.

Table A-4

Official Exchange Rate of National Currancies per United States Dollar for the ESCWA Region
(1981-1989)

	1981	1982	1983	1984	1985	1986	1987	1988	1989
GCC Countries									
Bahrain (Dinar)	0.376	0.376	0.376	0.377	0.376	0.376	0.376	0.376	0.376
Kuwait (Dinar)	0.279	0.288	0.291	0.296	0.301	0.292	0.279	0.279	0.294
Oman (Rial)	0.345	0.345	0.345	0.345	0.345	0.385	0.385	0.385	0.385
Qatar (Rial)	3.640	3.640	3.640	3.640	3.640	3.640	3.640	3.640	3.640
Saudi Arabia (Riyal)	3.383	3.428	3.455	3.524	3.622	3.703	3.745	3.745	3.745
UAE (Dirham)	3.671	3.671	3.671	3.671	3.671	3.671	3.671	3.671	3.671
Other ESCWA Countries									
Egypt (Pound)									
Principle rate	0.700	0.700	0.700	0.700	0.700	0.700	0.700	0.700	0.700
Secondery rate	0.739	0.832	0.832	0.832	1.301	1.350	1.502	2.213	2.517
Iraq (Dinar)	0.295	0.298	0.311	0.311	0.311	0.311	0.311	0.311	0.311
Jordan (Dinar)	0.330	0.352	0.363	0.384	0.394	0.350	0.339	0.372	0.570
Lebanon (Pound)	4.314	4.744	4.528	6.511	16.417	38.377	224.600	409.230	496.690
Syrian Arab Republic (Pound)	3.925	3.925	3.925	3.925	3.925	3.925	3.925	11.225	11.225
Democratic Yemen (Dinar)	0.345	0.345	0.345	0.345	0.345	0.345	0.345	0.345	0.345
Yemen Arab Republic	4.562	4.562	4.579	5.353	7.363	9.639	10.341	9.772	9.760

Source: IMF, International Financial Statistics, Annual year book 1986, November 1988 and April 1990

Table A-5

General Consumer Price Indices in the ESCWA Region, 1981-1988

(1980 = 100)

	1981	1982	1983	1984	1985	1986	1987	1988
GCC countries								
Bahrain a/	111.3	121.3	124.8	125.2	96.2	94.8	93.4	93.2
Kuwait	107.4	116.1	121.2	122.6	124.4	125.6	126.4	128.3
Qatar	108.5	114.7	117.9	119.1	121.4	123.4	127.8	123.3
Saudi Arabia	102.7	103.8	104.4	102.7	99.6	96.5	94.9	95.8
United Arab Emirates	103.9	114.8	109.5	93.9	96.5	93.6	90.3	92.5
Other ESCWA countries								
Democratic Yemen	103.8	113.7	125.9	127.8	134.2	137.3	139.2	140.0 b/
Egypt	110.5	126.9	147.2	172.3	195.2	239.3	286.4	339.5 c/
Jordan	107.7	115.7	121.5	126.2	130.0	129.9	129.6	138.2
Lebanon	124.5	139.2	152.8	192.3	326.4	572.5	...	...
Syrian Arab Republic	118.4	135.3	143.9	156.8	184.2	250.5	399.6	544.0
Yemen	105.0	107.9	113.6	128.1	162.9	210.6	256.4	298.6

Source: ESCWA, Prices and Financial Statistics in the ESCWA region, No. 11 Baghdad, December 1989.

a/ Change in series as of 1985.
b/ ESCWA estimates.
c/ Provisional.

Table A-6

Annual Inflation Rate in ESCWA Region , 1980-1988
(1980=100)

	1981	1982	1983	1984	1985	1986	1987	1988
<u>GCC countries</u>								
Bahrain	11.3	9.0	2.9	0.7	...	-1.4	-1.5	-0.1
Kuwait	7.3	8.2	4.3	1.2	1.5	1.0	0.6	1.5
Qatar	8.5	5.7	2.8	1.0	1.9	1.6	3.6	-3.5
Saudi Arabia	2.7	1.1	0.6	-1.6	-3.0	-3.1	-1.7	0.9
United Arab Emirates	3.9	10.5	-4.6	-14.2	2.8	-3.0	-3.5	2.4
<u>Other ESCWA countries</u>								
Democratic Yemen	3.8	9.5	10.7	1.5	5.0	2.3	1.4	0.6
Egypt(Urban)	10.5	14.8	16.1	17.0	13.3	22.6	19.7	18.5
Iraq	11.4	22.1	12.1	7.8	4.3	1.3	14.0	21.3
Jordan	7.7	7.4	5.0	3.9	3.0	-0.1	-0.2	6.6
Lebanon	24.5	11.8	9.8	25.8	69.7	75.4 a/	430.4 a/	...
Syrian Arab Republic	18.4	14.4	6.3	9.0	17.5	36.0	59.5	36.1
Yemen	5.0	2.8	5.3	12.8	27.2	29.3	21.7	16.5

Source: Based on Table A-5

a/ Lebanon: from <u>Central Bank report, 1987</u>.

Table A-6

Annual Inflation Rate in ESCWA Region , 1980-1988
(1980=100)

	1981	1982	1983	1984	1985	1986	1987	1988
<u>GCC countries</u>								
Bahrain	11.3	9.0	2.9	0.7	...	-1.4	-1.5	-0.1
Kuwait	7.3	8.2	4.3	1.2	1.5	1.0	0.6	1.5
Qatar	8.5	5.7	2.8	1.0	1.9	1.6	3.6	-3.5
Saudi Arabia	2.7	1.1	0.6	-1.6	-3.0	-3.1	-1.7	0.9
United Arab Emirates	3.9	10.5	-4.6	-14.2	2.8	-3.0	-3.5	2.4
<u>Other ESCWA countries</u>								
Democratic Yemen	3.8	9.5	10.7	1.5	5.0	2.3	1.4	0.6
Egypt(Urban)	10.5	14.8	16.1	17.0	13.3	22.6	19.7	18.5
Iraq	11.4	22.1	12.1	7.8	4.3	1.3	14.0	21.3
Jordan	7.7	7.4	5.0	3.9	3.0	-0.1	-0.2	6.6
Lebanon	24.5	11.8	9.8	25.8	69.7	75.4 a/	430.4 a/	...
Syrian Arab Republic	18.4	14.4	6.3	9.0	17.5	36.0	59.5	36.1
Yemen	5.0	2.8	5.3	12.8	27.2	29.3	21.7	16.5

Source: Based on Table A-5
a/ Lebanon: from Central Bank report, 1987.

Table A-7. External Debt of ESCWA Countries, 1980-1988
(Millions of United States dollars)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Egypt									
Total Debt Stock (EDT)	21023	24205	29177	32085	34883	40067	44160	49890	49970
Long-term debt (LDOD)	16678	20377	24013	26802	29024	33780	37161	43361	43259
- Public & publicly guaranteed	16413	20057	23558	26202	28474	33030	36214	42263	42128
- Private non-guaranteed	265	320	455	600	550	750	947	1098	1131
Use of IMF credit	411	313	260	238	206	189	144	262	190
Short-term debt	3933	3515	4904	5044	5653	6103	6855	6267	6522
Interest arrears on LDOD	289	341	462	663	874	1137	2065	1798	2122
Net flows	2132	2190	2946	2311	1869	2148	573	903	737
Total debt services (TDS)	2107	2586	2778	3066	3098	3029	2984	1808	1954
Jordan									
Total Debt Stock (EDT)	1978	2297	2663	3069	3453	4041	4608	5360	5532 a/
Long-term debt (LDOD)	1490	1768	2084	2484	2591	3059	3551	3944	3955
- Public & publicly guaranteed	1493	1768	2084	2484	2591	3059	3551	3944	3955
- Private non-guaranteed	0	0	0	0	0	0	0	0	0
Use of IMF credit	0	0	0	0	0	63	70	81	48
Short-term debt	486	529	579	584	862	919	987	1334	1529
Interest arrears on LDOD	6	6	7	1	2	2	2	2	9
Net flows	267	334	354	470	198	431	401	456	326
Total debt services (TDS)	234	356	343	343	385	519	569	722	959
Lebanon									
Total Debt Stock (EDT)	490.5	579.9	643.0	610.4	447.7	415.9	458.0	496.5	498.9
Long-term debt (LDOD)	196.5	244.9	213.0	214.4	187.7	180.9	218.0	236.5	228.9
- Public & publicly guaranteed	196.5	244.9	213.0	214.4	187.7	180.9	218.0	236.5	228.9
- Private non-guaranteed	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of IMF credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term debt	294.0	335.0	430.0	396.0	260.0	235.0	240.0	260.0	270.0
Interest arrears on LDOD	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net flows	98.7	54.6	-28.5	6.1	-8.2	-47.9	27.1	16.2	14.7
Total debt services (TDS)	51.7	99.2	101.4	97.2	84.7	98.2	44.8	48.7	62.7

Table A-7. (Cont'd)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Oman									
Total Debt Stock (EDT)	603	754	958	1489	1633	2330	2959	2880	2940
Long-term debt (LDOD)	440	537	724	1132	1340	1908	2463	2445	2488
- Public & publicly guaranteed	440	537	724	1132	1340	1908	2463	2445	2488
- Private non-guaranteed	0	0	0	0	0	0	0	0	0
Use of IMF credit	0	0	0	0	0	0	0	0	0
Short-term debt	163	217	234	357	293	422	496	405	452
Interest arrears on LDOD	0	0	0	0	0	0	0	0	0
Net flows	-59	115	203	428	254	650	614	-192	113
Total debt services (TDS)	223	148	139	166	244	289	422	738	570
Syrian Arab Republic									
Total Debt Stock (EDT)	2749	3000	2998	3033	2936	3537	4424	4695	4890
Long-term debt (LDOD)	2118	2200	2231	2281	2310	2711	3112	3625	3685
- Public & publicly guaranteed	2118	2200	2231	2281	2310	2711	3112	3625	3685
- Private non-guaranteed	0	0	0	0	0	0	0	0	0
Use of IMF credit	0	0	0	0	0	0	0	0	0
Short-term debt	631	799	768	752	626	825	1312	1070	1205
Interest arrears on LDOD	0	0	1	1	4	10	22	40	93
Net flows	123	125	58	90	143	459	723	8	258
Total debt services (TDS)	382	407	392	381	336	348	365	707	479
Yemen Arab Republic									
Total Debt Stock (EDT)	1011	1225	1419	1699	1872	2032	2367	2633	2948
Long-term debt (LDOD)	925	1139	1321	1534	1603	1842	2110	2291	2378
- Public & publicly guaranteed	925	1139	1321	1534	1603	1842	2110	2291	2378
- Private non-guaranteed	0	0	0	0	0	0	0	0	0
Use of IMF credit	0	0	0	10	10	11	7	2	0
Short-term debt	86	86	98	155	259	180	249	340	570
Interest arrears on LDOD	0	0	0	0	0	0	0	0	0
Net flows	436	245	218	301	152	48	221	64	352
Total debt services (TDS)	37	80	68	56	91	172	123	207	232

Table A-7. (Cont'd)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Yemen (PDRY)									
Total Debt Stock (EDT)	652	715	996	1230	1390	1577	1735	1943	2093
Long-term debt (LDOD)	507	576	839	1097	1254	1419	1585	1812	1970
- Public & publicly guaranteed	507	576	839	1097	1254	1419	1585	1812	1970
- Private non-guaranteed	0	0	0	0	0	0	0	0	0
Use of IMF credit	48	37	49	45	40	37	25	13	6
Short-term debt	96	102	108	88	96	121	125	118	118
Interest arrears on LDOD	0	0	0	0	0	0	0	0	0
Net flows	73	114	294	287	201	143	115	126	165
Total debt services (TDS)	55	47	52	73	85	115	139	142	123
Total ESCWA									
Total Debt Stock (EDT)	28506.5	32775.9	38854.0	43215.4	46614.7	53999.9	60711.0	67867.5	68871.9
Long-term debt (LDOD)	22357.5	26841.9	31425.0	35544.4	38309.7	44899.8	50200.0	57714.5	57963.9
- Public & publicly guaranteed	22092.5	26521.9	30970.0	34944.4	37759.7	44149.9	49253.0	56616.5	56832.9
- Private non-guaranteed	265.0	320.0	455.0	600.0	550.0	750.0	947.0	1098.0	1131.0
Use of IMF credit	459.0	350.0	309.0	293.0	256.0	295.0	246.0	358.0	244.0
Short-term debt	5689.0	5583.0	7121.0	7376.0	8049.0	8805.0	10264.0	9794.0	10666.0
Interest arrears on LDOD	295.0	347.0	470.0	665.0	880.0	1149.0	2089.0	1840.0	2224.0
Net flows	3070.0	3177.6	4044.5	3893.1	2808.8	3831.1	2674.1	1381.2	1965.7
Total debt services (TDS)	3089.7	3723.2	3874.4	4182.2	4323.7	4570.2	4646.8	4372.7	4379.7

Source: Compiled from: World Debt Tables, 1989-90, External Debt of Developing Countries, Volume 2, Country Tables.

a/ Jordan has reassessed its external debt in 1988 to $8.5 billion instead of $5.5 billion.

Note: Debt as reported in the forms used in the World Bank, "debtor reporting system", (forms 1363E (12-77) and 1365E (12-77). See the World Bank, external debt, definition, Statistical coverage and methodology, 1988.

Table A-8. Principal Parameters of Total External Debt, 1980-1988*

(per cent)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Democratic Yemen									
EDT/XGS	122.0	119.1	148.7	182.9	207.3	264.3	405.2	395.3	42.1
EDT/GNP	80.3	78.7	99.7	116.1	123.7	149.9	190.7	206.6	211.9
TDS/XGS	10.2	7.8	7.8	10.9	12.6	19.3	32.5	29.0	25.4
Int/XGS	3.4	3.6	3.1	3.0	4.6	5.7	8.5	7.9	8.5
Res/EDT	35.9	37.9	28.7	24.2	17.9	11.9	8.0	50.3	3.8
Short-term/EDT	14.7	14.3	10.8	7.2	6.9	7.7	7.2	6.1	5.6
Concessional/EDT	77.8	74.0	79.5	84.8	86.4	87.5	90.6	93.0	93.1
Egypt									
EDT/XGS*	214.9	218.8	281.5	266.6	258.5	302.4	376.6	475.5	400.8
EDT/GNP*	98.0	111.3	122.5	122.2	122.1	127.6	157.8	150.8	142.5
TDS/XGS*	21.5	23.4	26.8	25.5	23.0	22.9	25.4	16.6	15.7
Int/XGS*	9.4	10.3	12.1	12.7	11.9	11.0	13.2	8.1	8.4
Res/EDT*	5.0	7.0	2.4	5.3	2.1	2.0	1.9	3.2	4.0
Short-term/EDT	18.7	14.5	16.8	15.7	16.2	15.2	15.5	12.6	13.1
Concessional/EDT	47.5	43.9	38.3	35.9	34.4	32.4	31.6	35.4	36.0
Jordan									
EDT/XGS	79.3	75.9	83.6	106.7	105.4	130.2	149.2	166.4	162.8
EDT/GNP	49.6	64.5	56.0	79.2	71.5	84.6	84.0	97.2	110.0
TDS/XGS	9.4	11.7	10.8	11.9	11.8	16.7	18.4	22.4	28.2
Int/XGS	5.3	5.9	5.1	6.3	6.0	8.0	8.3	9.5	10.1
Res/EDT	57.8	65.8	33.7	40.4	14.9	10.5	9.5	7.9	2.0
Short-term/EDT	24.5	23.0	21.7	19.0	25.0	22.7	21.4	24.9	27.6
Concessional/EDT	41.7	38.9	39.5	37.3	33.7	33.3	31.9	31.7	30.4
Lebanon									
EDT/XGS	-	-	15.2	29.1	22.1	26.2	23.0	25.1	25.2
EDT/GNP	-	-	-	-	-	-	-	-	-
TDS/XGS	-	-	2.4	4.6	4.2	6.2	2.2	2.5	3.2
Int/XGS	-	-	1.3	2.9	2.3	2.1	1.4	1.6	2.1
Res/EDT	1432.0	893.6	1061.0	888.0	785.1	983.2	893.6	973.4	954.3
Short-term/EDT	59.9	57.8	66.9	64.9	58.1	56.5	52.4	52.4	54.1
Concessional/EDT	15.6	13.2	11.0	12.5	19.6	23.9	22.5	21.5	19.0
Oman									
EDT/XGS	15.5	15.3	20.0	32.2	33.9	43.2	84.5	65.1	-
EDT/GNP	11.3	11.5	13.9	21.2	20.9	26.3	46.3	39.1	41.0
TDS/XGS	5.7	3.0	2.9	3.6	5.1	5.4	12.1	16.9	-
Int/XGS	1.7	1.3	1.2	1.8	2.4	2.6	5.6	4.8	-
Res/EDT	116.7	113.1	104.4	58.6	60.6	58.8	36.5	54.1	39.9
Short-term/EDT	27.0	28.8	24.4	24.0	17.9	18.1	16.8	14.2	15.4
Concessional/EDT	43.2	36.1	27.0	15.6	13.6	10.7	9.2	9.5	8.5

Table A-8 (Cont'd)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Syrian Arab Republic									
EDT/XGS	82.3	94.6	102.6	105.3	108.8	136.3	237.6	214.4	244.0
EDT/GNP	21.0	21.2	20.0	19.1	18.4	21.2	23.3	19.8	33.1
TDS/XGS	11.4	12.8	13.4	13.2	12.5	13.4	19.6	32.3	23.9
Int/XGS	4.7	5.1	5.1	5.2	5.2	5.3	8.2	8.9	11.0
Res/EDT	30.1	20.8	8.3	12.2	9.1	2.3	3.3	4.7	7.0
Short-term/EDT	23.0	26.6	25.6	24.8	21.3	23.3	29.7	22.8	24.6
Concessional/EDT	52.9	51.7	52.7	50.2	53.0	47.4	40.7	42.0	40.1
Yemen									
EDT/XGS	62.9	98.0	92.4	109.3	141.9	201.8	276.2	263.3	211.2
EDT/GNP	28.5	31.2	29.0	32.2	37.0	43.8	53.8	56.8	51.9
TDS/XGS	2.3	6.2	4.5	3.6	6.9	17.1	14.3	20.7	16.6
Int/XGS	1.3	1.9	1.5	1.7	3.1	3.7	6.8	7.3	6.7
Res/EDT	126.9	78.5	39.1	21.6	27.9	26.5	29.1	26.1	13.6
Short-term/EDT	8.5	7.0	6.9	9.1	13.8	8.9	10.5	12.9	19.3
Concessional/EDT	87.6	89.9	89.3	87.8	81.4	82.8	73.9	71.0	64.7

Source: World Debt Tables 1989-90, External Debt of Developing Countries, Volume 2. Country Tables.

* EDT = Total debt stock
XGS = Exports of goods and services
GNP = Gross national product
TDS = Total debt service
Res = Reserves
Int = Interest.

Table A-9

Money Supply in the ESCWA Region, 1980-1989
(Millions of national currency units)

End of period	Currency in circulation		Demand deposits		Total money supply (M1)		Time and saving deposits		Total money supply (M2)	
	Amount	% of M1	Amount	% of M1	Amount	% of M2	Amount	% of Total	Amount	% of Total
	(1)		(2)		(1 + 2) = (3)		(4)		(3 + 4) = (5)	
GCC countries										
Bahrain										
1980	58.3	30.3	133.9	69.7	192.2	36.7	331.8	63.3	524.1	100.0
1981	63.4	25.5	185.4	74.5	248.8	34.0	481.8	66.0	730.6	100.0
1982	71.5	26.7	196.5	73.3	268.0	34.3	513.1	65.7	781.3	100.0
1983	73.5	29.4	176.5	70.6	250.0	29.6	593.1	70.4	843.1	100.0
1984	78.2	32.7	161.1	67.3	239.3	28.9	588.5	71.1	827.8	100.0
1985	79.0	32.5	164.2	67.5	243.1	26.9	660.1	73.1	903.3	100.0
1986	80.0	32.5	155.7	66.1	235.7	26.6	649.5	73.4	885.2	100.0
1987	84.1	34.1	162.6	65.9	246.7	25.5	721.8	74.5	968.5	100.0
1988	84.4	35.3	154.5	64.7	238.9	23.7	768.6	76.3	1007.5	100.0
Kuwait										
1980	251.3	37.5	418.4	62.5	669.7	23.4	2,187.8	76.6	2,857.5	100.0
1981	284.7	23.4	930.1	76.6	1,214.8	31.4	2,652.9	68.6	3,867.8	100.0
1982	342.8	29.1	837.0	71.0	1,179.7	28.2	3,003.1	71.8	4,182.8	100.0
1983	340.6	30.6	772.9	69.4	1,113.5	25.5	3,254.3	74.5	4,367.8	100.0
1984	325.1	35.6	588.8	64.4	913.9	20.3	3,583.0	79.7	4,496.9	100.0
1985	327.9	36.7	565.7	63.3	893.6	20.1	3,554.6	79.9	4,448.2	100.0
1986	337.1	36.5	585.0	63.4	922.1	20.2	3,639.8	79.8	4,561.9	100.0
1987	338.3	34.7	636.9	65.3	975.2	20.4	3,798.7	79.6	4,774.0	100.0
1988	342.5	38.4	549.7	61.6	892.1	17.5	4,205.3	82.5	5,097.4	100.0
1989	334.1	38.8	525.9	61.1	860.1	16.2	4,432.9	83.8	5293.0	100.0
Oman										
1980	94.8	59.2	65.3	40.8	160.1	50.2	159.1	49.8	319.2	100.0
1981	116.2	53.4	101.5	46.6	217.7	49.0	226.6	51.0	444.3	100.0
1982	129.8	50.8	125.8	49.2	255.6	46.0	299.6	54.9	555.2	100.0
1983	140.4	49.7	141.9	50.3	282.3	42.4	383.0	57.6	665.3	100.0
1984	150.0	51.5	141.4	48.5	291.4	36.0	517.8	64.0	809.2	100.0
1985	178.5	54.6	148.7	45.4	327.2	35.4	597.6	64.6	924.8	100.0
1986	168.8	54.4	141.5	45.6	310.3	35.8	555.5	64.2	865.8	100.0
1987	180.3	53.9	154.1	46.1	334.3	36.6	578.3	63.4	912.7	100.0
1988	176.3	56.5	135.8	43.5	312.1	32.3	655.3	67.7	967.4	100.0
1989	183.6	53.4	160.5	46.6	344.1	32.5	713.7	67.5	1057.8	100.0

Table A-9 (Cont'd)

End of period	Currency in circulation		Demand deposits		Total money supply (M1)		Time and saving deposits		Total money supply (M2)	
	Amount	% of M1	Amount	% of M1	Amount	% of M2	Amount	% of Total	Amount	% of Total
	(1)		(2)		(1 + 2) = (3)		(4)		(3 + 4) = (5)	
Qatar										
1980	811.1	35.6	1,466.0	64.4	2,277.1	43.2	3,003.0	56.9	5,280.1	100.0
1981	991.6	29.1	2,411.6	70.9	3,403.2	45.5	4,072.0	54.5	7,475.2	100.0
1982	1,151.3	30.3	2,643.5	69.7	3,794.8	44.3	4,772.1	56.7	8,566.9	100.0
1983	1,068.4	29.5	2,556.1	70.5	3,624.5	42.7	4,863.2	57.3	8,487.7	100.0
1984	1,186.3	28.7	2,948.1	71.3	4,134.4	40.0	6,219.5	60.1	10,354.0	100.0
1985	1,120.0	27.9	2,896.7	72.1	4,016.7	35.5	7,288.7	64.5	11,305.4	100.0
1986	1,287.8	28.7	3,199.4	71.3	4,487.2	35.7	8,081.7	64.3	12,568.9	100.0
1987	1,248.7	26.1	3,529.7	73.9	4,778.4	35.0	8,871.5	65.0	13,649.9	100.0
1988	1,177.7	34.6	2,220.8	65.4	3,398.5	27.2	9,109.0	72.8	1,2507.5	100.0
Saudi Arabia[b/]										
1980	25,680.0	43.6	33,280.0	56.4	58,960.0	80.9	13,930.0	19.1	72,890.0	100.0
1981	29,490.0	40.4	43,490.0	59.6	72,980.0	76.9	21,930.0	23.1	94,916.0	100.0
1982	34,440.0	41.1	49,340.0	58.9	83,780.0	73.8	29,680.0	26.2	113,460.7	100.0
1983	35,420.0	41.7	49,510.0	58.3	84,930.0	71.3	34,130.0	28.7	119,060.0	100.0
1984	35,110.0	42.3	47,860.0	57.7	82,970.0	66.5	41,790.0	33.5	124,760.0	100.0
1985	35,770.0	43.7	46,060.0	56.3	81,830.0	65.9	44,090.0	35.0	125,920.0	100.0
1986	38,810.0	45.0	47,470.0	55.0	86,280.0	65.8	44,920.0	34.2	131,200.0	100.0
1987	40,070.0	43.7	51,700.0	56.3	19,770.0	67.0	45,250.0	33.0	137,020.0	100.0
1988	35,950.0	38.5	57,480.0	61.5	93,430.0	67.9	44,230.0	32.1	137,660.0	100.0
United Arab Emirates										
1980	2,142.5	29.1	5,211.8	70.9	7,354.3	31.2	16,239.5	68.8	23,593.8	100.0
1981	2,770.8	30.9	6,198.0	69.1	8,968.8	30.8	20,196.3	69.2	29,165.1	100.0
1982	2,989.5	30.7	6,749.0	69.3	9,738.0	28.9	23,990.0	71.1	33,728.0	100.0
1983	2,878.8	31.6	6,245.4	68.4	9,124.2	25.1	27,291.6	74.9	36,415.8	100.0
1984	2,929.0	32.9	5,962.6	67.1	8,891.6	19.0	38,025.0	81.0	46,916.6	100.0
1985	3,161.0	33.3	6,344.0	66.7	9,505.0	19.0	40,413.0	81.0	49,918.6	100.0
1986	3,246.0	35.3	5,956.0	64.7	8,202.0	17.7	42,875.0	82.3	52,077.0	100.0
1987	3,511.2	34.8	6,585.0	65.2	10,096.2	18.4	44,892.0	81.6	54,988.2	100.0
1988	3,600.0	33.5	7,154.0	66.5	10,754.0	18.5	47,403.0	81.5	58,157.0	180.0
Other ESCWA countries										
Democratic Yemen										
1980	171.1	72.9	63.5	27.2	234.6	82.0	51.5	18.0	286.1	100.0
1981	192.6	74.3	66.5	25.7	259.1	80.5	62.7	19.5	321.8	100.0
1982	223.8	75.4	73.1	24.6	296.9	77.6	85.6	22.4	382.5	100.0
1983	244.3	54.6	87.3	26.3	331.6	74.2	115.6	25.8	447.2	100.0
1984	255.9	73.7	112.8	30.6	368.7	72.2	141.8	27.8	510.5	100.0
1985	276.4	68.6	126.4	31.4	402.8	73.0	148.5	27.0	551.3	100.0
1986	187.9	68.6	131.8	31.4	419.7	72.9	155.9	27.1	575.6	100.0
1987	299.6	66.2	152.6	33.7	452.2	73.0	167.4	27.0	619.6	100.0
1988	315.8	66.9	156.1	33.1	471.9	71.8	185.4	28.2	657.3	100.0

Table A-9 (Cont'd)

End of period	Currency in circulation		Demand deposits		Total money supply (M1)		Time and saving deposits		Total money supply (M2)	
	Amount	% of M1	Amount	% of M1	Amount	% of M2	Amount	% of Total	Amount	% of Total
	(1)		(2)		(1 + 2) = (3)		(4)		(3 + 4) = (5)	
Egypt										
1980	3,398.0	57.6	2,504.0	42.4	5,902.0	62.2	3,589.0	37.8	9,491.0	100.0
1981	4,291.0	59.8	2,886.0	40.2	7,177.0	54.8	5,920.0	45.2	13,097.0	100.0
1982	5,503.0	61.1	3,498.0	38.9	9,001.0	52.2	8,240.0	47.8	17,241.0	100.0
1983	6,475.0	63.6	3,798.0	37.0	10,273.0	48.6	10,884.0	51.4	21,157.0	100.0
1984	7098.0	60.9	4554.0	39.1	11652.0	46.4	13486.0	53.6	25138.0	100.0
1985	8285.0	59.6	5606.0	40.4	13891.0	46.5	15978.0	53.5	29869.0	100.0
1986	8,803.0	58.9	6135.0	41.1	14938.0	41.4	21127.0	58.6	36065.0	100.0
1987	9,537.0	56.1	7,460.0	43.9	16,997.0	39.9	26,635.0	61.0	43,632.0	100.0
1988	10,406.0	55.6	8,308.0	44.4	18,714.0	35.5	33,969.0	64.5	52,683.0	100.0
Jordan										
1980	351.6	59.1	243.1	40.9	594.8	60.4	390.0	39.6	984.8	100.0
1981	412.3	58.8	289.4	41.2	701.7	59.5	478.2	40.5	1,179.9	100.0
1982	470.0	59.7	317.5	40.3	787.5	56.1	615.8	43.9	1,403.4	100.0
1983	516.0	59.4	353.4	40.6	869.4	53.8	745.7	46.2	1,615.2	100.0
1984	530.5	60.4	347.9	39.6	878.4	50.0	879.3	50.0	1,757.7	100.0
1985	531.8	62.7	316.4	37.3	848.2	45.2	1,026.6	54.8	1,874.8	100.0
1986	583.9	65.1	313.2	34.9	897.0	43.3	1,175.3	56.7	2,072.4	100.0
1987	655.8	66.9	324.9	33.1	979.8	41.3	1,392.4	58.7	2,372.2	100.0
1988	811.2	69.5	355.6	30.5	1166.8	44.4	1,459.7	55.6	2,626.4	100.0
1989	871.1	66.9	431.2	33.1	1302.3	44.2	1,643.6	55.8	2,945.9	100.0
Lebanon										
1980	3,982.0	51.9	3,684.0	48.1	7,666.0	26.6	21,160.0	73.4	28826.0	100.0
1981	4,625.0	51.3	4,380.0	48.7	9,005.0	22.3	31,392.0	77.7	40397.0	100.0
1982	5,582.0	50.4	5,488.0	49.6	11,070.0	22.8	37,487.0	77.2	48557.0	100.0
1983	6,958.0	54.1	5,887.0	45.9	12,845.0	20.8	48,775.0	79.2	61620.0	100.0
1984	7,669.0	55.6	6,114.0	45.4	13,783.0	18.1	62,494.0	81.9	76277.0	100.0
1985	10,267.0	50.9	9,887.0	49.1	20,154.0	16.9	98,948.6	88.1	119102.0	100.0
1986	14,719.0	48.6	15,557.0	51.4	30,276.0	9.4	293,572.0	90.6	323848.0	100.0
1987	39,169.0	56.9	29,721.0	43.1	68,890.0	4.7	1,402,419.0	95.3	1,471,309.0	100.0
Syrian Arab Republic										
1980	13,421.7	61.4	8,433.5	38.6	21,855.2	91.0	2,175.7	9.0	24,030.9	100.0
1981	14,046.6	56.6	10,785.8	43.4	24,831.0	89.2	3,009.1	10.8	27,840.9	100.0
1982	17,347.5	58.8	12,170.8	41.2	29,518.3	88.1	3,992.2	11.9	33,511.2	100.0
1983	20,499.3	55.3	16,542.4	44.7	37,041.7	87.7	5,203.8	12.3	42,245.5	100.0
1984	25,154.5	55.2	20,452.0	44.8	45,606.5	86.4	7,167.1	13.6	52,773.6	100.0
1985	29,562.4	53.8	25,413.9	46.2	54,976.3	86.6	8,516.2	13.4	63,492.5	100.0
1986	36,416.1	58.3	26,007.1	41.7	62,423.2	86.3	9,907.4	13.7	72,330.6	100.0
1987	41,721.0	62.0	25,521.1	38.0	67,242.1	85.4	11,528.5	14.6	78,770.6	100.0
1988[c/]	52,218.4	66.2	26,624.6	33.8	78,843.0	82.2	17,043.4	17.8	95,886.4	100.0

Table A-9 (Cont'd)

End of period	Currency in circulation Amount (1)	% of M1	Demand deposits Amount (2)	% of M1	Total money supply (M1) Amount (1 + 2)	% of M2 = (3)	Time and saving deposits Amount (4)	% of Total	Total money supply (M2) Amount (3 + 4)	% of Total = (5)
Yemen										
1980	6,894.5	91.1	674.0	8.9	7,568.5	82.4	1,611.1	17.6	9,179.6	100.0
1981	7,043.5	89.5	824.2	10.5	7,867.7	79.4	2,037.5	20.6	9,905.2	100.0
1982	8,940.5	87.0	1,332.5	13.0	10,273.0	82.1	2,246.4	17.9	12,519.4	100.0
1983	10,733.0	81.7	2,401.8	18.3	13,134.8	82.3	2,832.2	17.7	15,967.0	100.0
1984	13,314.0	81.6	2,997.9	18.4	16,311.9	80.1	4,052.7	19.9	20,364.6	100.0
1985	15,633.4	82.9	3,221.9	17.1	18,855.3	77.2	5,575.0	22.8	24,430.3	100.0
1986	19,062.0	83.0	3,916.0	17.0	22,977.6	75.0	7,673.0	25.0	30,651.1	100.0
1987	20,159.0	78.4	5,565.9	21.6	25,724.6	76.2	8,018.7	23.8	33,743.3	100.0
1988	20,165.6	78.7	5,468.4	21.3	25,634.0	71.5	10,198.2	28.5	35,832.2	100.0

Source: Figures compiled by the Economic and Social Commission for Western Asia, based on national and international sources.

* Excluding Iraq.

a/ Including foreign currency deposits for Egypt, Lebanon, Qatar, the Syrian Arab Republic, United Arab Emirates and Yemen, together with the earmarked deposits for Yemen.

b/ Approximately end of period.

c/ Provisional.

Table A-10

Annual Percentage Change in Money Supply in the ESCWA Region*, 1981-1988
(Percent)

Country	Currency in circulation	Demand deposits	Money supply (M1)	Time & saving deposits	Total money supply (M2)
GCC countries					
Bahrain					
1981/1980	8.8	38.5	29.4	45.2	39.4
1982/1981	12.8	6.0	7.7	6.5	6.9
1983/1982	2.8	-10.2	-6.7	15.6	7.9
1984/1983	6.4	-8.7	-4.3	-0.8	-1.8
1985/1984	1.0	1.9	1.6	12.2	9.1
1986/1985	1.3	-5.2	-3.0	-1.6	-2.0
1987/1986	5.1	4.4	4.7	11.1	9.4
1988/1987	0.4	-5.0	-3.2	6.5	4.0
Kuwait					
1981/1980	13.3	122.3	81.4	21.3	35.4
1982/1981	20.4	-10.0	-2.9	13.2	8.1
1983/1982	-0.6	-7.7	-5.6	8.4	4.4
1984/1983	-4.6	-23.8	-17.9	10.1	3.0
1985/1984	0.9	-3.9	-2.2	-0.8	-1.1
1986/1985	2.8	3.4	3.2	2.4	2.6
1987/1986	0.4	-8.9	-5.8	4.4	4.6
1988/1987	-1.2	-13.7	-8.7	9.0	5.4
1989/1988	-2.4	-4.3	-3.6	5.4	3.8
Oman					
1981/1980	22.6	55.4	36.0	42.4	39.2
1982/1981	11.7	23.9	17.4	32.2	25.0
1983/1982	8.2	12.8	10.4	27.8	19.8
1984/1983	6.8	-0.4	3.2	35.2	21.6
1985/1984	19.0	5.2	12.3	15.4	14.3
1986/1985	-5.4	-4.8	-5.2	-7.0	-6.4
1987/1986	6.8	-8.9	-7.7	4.3	5.4
1988/1987	-2.2	11.9	-6.7	13.3	6.0
1989/1988	4.1	18.2	10.2	8.9	9.3
Qatar					
1981/1980	22.2	64.5	49.4	35.6	41.6
1982/1981	16.1	9.6	11.5	17.2	14.6
1983/1982	-7.2	-3.3	-4.5	1.9	-0.9
1984/1983	11.0	15.3	14.1	27.9	22.0
1985/1984	-5.6	-1.7	-2.8	17.2	9.2
1986/1985	15.0	10.4	11.7	10.9	11.2
1987/1988	-3.0	10.3	6.5	9.8	8.6
1988/1989	-5.7	-37.1	-28.9	2.7	-8.4

Table A-10 (Cont'd)

Annual Percentage Change in Money Supply in the ESCWA Region*, 1981-1988
(Percent)

Country	Currency in circulation	Demand deposits	Money supply (M1)	Time & saving deposits	Total money supply (M2)
Saudi Arabia					
1981/1980	14.8	30.7	23.8	57.4	30.2
1982/1981	16.8	13.5	14.8	35.3	19.5
1983/1982	2.8	0.3	1.4	15.0	4.9
1984/1983	-0.9	-3.3	-2.3	22.4	4.8
1985/1984	1.9	-3.8	-1.4	5.5	0.9
1986/1985	8.5	10.3	5.4	1.9	4.2
1987/1986	3.2	8.9	6.4	0.7	4.4
1988/1987	-10.3	11.2	1.8	-2.2	0.5
United Arab Emirates					
1981/80	29.3	18.9	22.0	24.4	23.6
1982/81	7.9	8.9	8.6	18.8	15.6
1983/82	-3.7	-7.5	-6.3	13.8	8.0
1984/83	1.7	-4.5	-2.6	39.3	28.8
1985/84	7.9	6.4	6.9	6.3	6.4
1986/85	2.7	-6.1	-3.2	6.1	4.3
1987/1986	8.2	10.6	9.7	4.6	5.6
1988/1987	2.5	8.6	6.5	5.6	5.8
Other ESCWA Countries					
Democratic Yemen					
1981/80	12.6	4.7	10.4	21.8	12.5
1982/81	16.2	9.9	14.6	36.5	18.9
1983/82	9.2	19.4	11.7	35.0	16.9
1984/83	4.8	29.2	11.2	22.7	14.2
1985/84	8.0	12.1	9.2	4.7	8.0
1986/85	4.2	4.3	4.2	5.0	4.4
1987/1986	4.1	15.8	7.7	7.4	7.6
1988/1987	5.4	2.3	4.4	10.5	6.1
Egypt					
1981/80	26.3	15.3	21.6	65.0	38.0
1982/81	28.2	21.2	25.4	39.2	31.6
1983/82	17.7	8.6	14.1	32.1	22.7
1984/83	9.6	19.9	13.4	23.9	18.8
1985/84	16.7	23.1	19.2	18.5	18.8
1986/85	6.2	9.4	7.5	32.2	20.7
1987/1986	8.3	21.6	13.8	26.1	21.0
1988/1987	9.1	11.4	10.1	27.5	20.7

Table A-10 (Cont'd)

Country	Currency in circulation	Demand deposits	Money supply (M1)	Time & saving deposits	Total money supply (M2)
Jordan					
1981/80	17.3	19.0	18.0	22.6	19.8
1982/81	14.0	9.8	12.2	28.8	18.9
1983/82	9.8	11.3	10.4	21.1	15.1
1984/83	2.8	-1.6	1.0	17.9	8.8
1985/84	0.2	-9.1	-3.4	16.8	6.7
1986/85	9.8	-1.0	5.8	14.5	10.5
1987/1986	12.3	3.4	9.2	18.5	14.5
1988/1987	23.7	9.8	19.1	4.8	10.7
1989/1988	7.4	21.3	11.6	12.6	12.2
Lebanon					
1981/80	16.2	18.9	17.5	48.4	40.1
1982/81	20.7	25.3	22.9	19.4	20.2
1983/82	24.6	7.3	16.0	30.1	26.9
1984/83	10.2	3.9	7.3	28.1	23.8
1985/84	33.9	61.7	46.2	58.3	56.1
1986/85	43.4	57.4	55.6	103.1	98.7
1987/1986	166.1	91.0	127.5	377.7	354.3
Syrian Arab Republic					
1981/80	4.6	27.9	13.6	41.8	15.8
1982/81	23.5	12.8	18.9	32.7	20.4
1983/82	18.2	35.9	25.5	30.3	26.1
1984/83	22.7	23.6	23.1	37.7	24.9
1985/84	17.5	24.3	20.5	18.8	20.3
1986/85	23.2	2.3	13.6	16.3	13.9
1987/1986	14.6	-1.9	7.7	16.4	8.9
1988/1987	25.2	4.3	17.2	47.8	21.7
Yemen					
1981/80	2.2	22.3	4.3	26.5	7.9
1982/81	26.9	61.7	28.0	10.3	26.4
1983/82	20.0	80.2	27.9	26.1	27.5
1984/83	24.0	24.8	24.2	43.1	27.5
1985/84	17.4	7.5	15.6	37.6	20.0
1986/85	21.9	21.5	21.9	37.6	25.5
1987/1986	5.8	42.1	12.0	4.5	10.1
1988/1987	0.0	-1.8	-0.4	27.2	6.2

Source: ESCWA calculations based on Table A-9.

* Excluding Iraq.